10th EDITION

REPORT ON

US Sustainable, Responsible and Impact Investing Trends 2014

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Reflections on Sustainable, Responsible and Impact Investing Trends, 2014

What's in a name? ESG, Ethical, Green, Impact, Mission, Responsible, Socially Responsible, Sustainable and Values are all labels that investors apply today to their strategies to consider environmental, social and corporate governance criteria to generate long-term competitive financial returns and positive societal impact. While the variety of labels can sometimes be confusing, the core message is clear. A growing number of investors, institutions and financial professionals are deploying and managing capital to build a more sustainable and equitable economy.

This year's Trends Report is an exciting milestone, marking the 10th edition of the biennial report, the first of which was released in 1995. The sustainable, responsible and impact investing (SRI) industry has made significant advancements over these years, and this report has tracked its evolution and growth.

Some of the developments you will find in this report include:

- Conventional investment firms are increasingly active in creating and marketing targeted products for sustainable investors. In recent years they have launched a variety of ESG-themed funds, created new staff positions for senior sustainable investment professionals and dedicated other resources to advance the field. Today, there is no longer any "typical kind of firm" engaged in sustainable investment.
- The expansion of sustainable, responsible and impact investing is found across all asset classes. This report details, for example, the marked expansion in the issuance of "green bonds" and the continued growth in alternative investments engaged in responsible investment.
- Foundations have deepened their practice of mission investing—using a variety of strategies to create positive social impact aligned with their mission. Extensive examples are covered in the US SIF Foundation's 2014 report *Unleashing the Potential of US Foundation Endowments: Using Responsible Investment to Strengthen Endowment Oversight and Enhance Impact.*
- Two developments of note since the last *Trends* report in 2012 are the emergence of the fossil fuel divestment movement and the adoption of policies restricting investments in firearms in the wake of the Sandy Hook Elementary School shooting.
- Other emerging trends featured in this report are the perspectives of millennials on sustainable investing, investment products geared towards advancing women, crowd funding as a tool for ESG investors, and place-based investing.
- The sustainable investment community has engaged the federal legislative and executive branches of the US government as another avenue to help create the conditions for a global sustainable economy. Some of our community's work in this arena is highlighted in this report, including addressing climate change and calling for better corporate disclosure on political contributions, executive compensation, use of conflict minerals and payments to governments by extractive companies. These efforts help to create a national framework in which environmental, social and governance considerations in investing are able to become the norm.

We hope ***US Sustainable, Responsible and Impact Investing Trends 2014*** motivates you to explore this field or to expand your responsible and impact investing strategies. Please visit www.ussif.org for more information on our work.

Lisa Woll, CEO

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Executive Summary

US Sustainable, Responsible and Impact Investing Trends 2014

US sustainable, responsible and impact investing (SRI) has grown substantially over the past two years. The total US-domiciled assets under management using SRI strategies expanded from $3.74 trillion at the start of 2012 to $6.57 trillion at the start of 2014, an increase of 76 percent. These assets now account for more than one out of every six dollars under professional management in the United States.

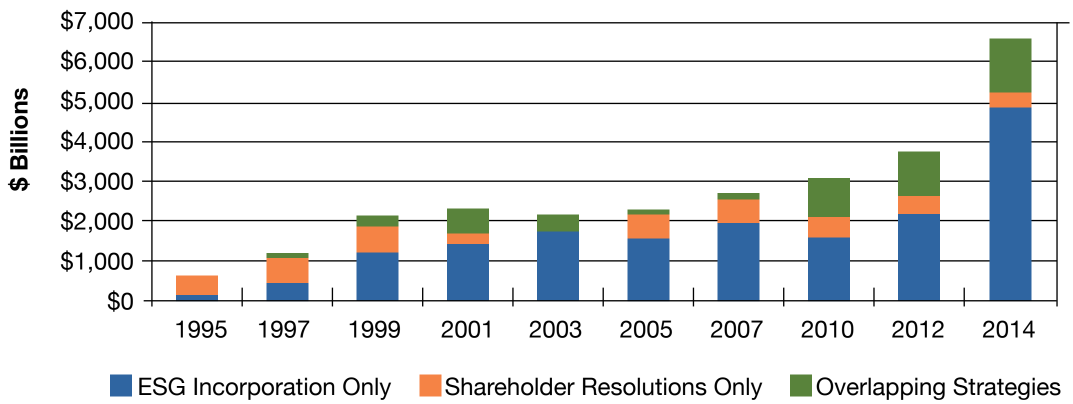
The individuals, institutions, investment companies, money managers and financial institutions that practice SRI seek to achieve long-term competitive financial returns together with positive societal impact. SRI strategies can be applied across asset classes to promote stronger corporate social responsibility, build long-term value for companies and their stakeholders, and foster businesses or introduce products that will yield community and environmental benefits.

Through information requests and research undertaken in 2014, the US SIF Foundation identified:

- $6.20 trillion in US-domiciled assets at the beginning of 2014 held by 480 institutional investors, 308 money managers and 880 community investment institutions that apply various environmental, social and governance (ESG) criteria in their investment analysis and portfolio selection, and
- $1.72 trillion in US-domiciled assets at the beginning of 2014 held by 202 institutional investors or money managers that filed or co-filed shareholder resolutions on ESG issues at publicly traded companies from 2012 through 2014.

After eliminating double-counting for assets involved in both strategies, the overall total of SRI assets at the beginning of 2014 was $6.57 trillion. Throughout this report, the terms sustainable and responsible investing, sustainable investing, responsible investing, impact investing and SRI are used interchangeably to describe these investment practices.

Fig. A: Sustainable and Responsible Investing in the United States 1995–2014



SOURCE: US SIF Foundation.

The assets engaged in sustainable, responsible and impact investing practices at the start of 2014 represent nearly 18 percent of the $36.8 trillion in total assets under management tracked by Cerulli Associates. From 1995, when the US SIF Foundation first measured the size of the US sustainable and responsible investing market, to 2014, the SRI universe has increased tenfold, or 929 percent, a compound annual growth rate of 13.1 percent.

Highlights of the 2014 Report

ESG Incorporation

The total assets that are managed with ESG factors explicitly incorporated into investment analysis and decision-making are valued at $6.20 trillion. Of this total, $4.80 trillion were identified within specific investment vehicles managed by money managers or community investing institutions, while $4.04 trillion were identified as owned or administered by institutional investors. (Of the institutional investor ESG assets, $2.64 trillion were identified through the responses and data that money managers provided on the portion of their vehicles held by institutional clients.)

ESG INCORPORATION BY MONEY MANAGERS AND INVESTMENT VEHICLES: The US SIF Foundation and its research partners identified 308 money managers and 880 community investing institutions that incorporate ESG issues into their investment decision-making, with a combined $4.80 trillion in assets under management. This is 3.4 times the corresponding figure for 2012, when money managers and community investing institutions held $1.41 trillion in ESG assets under management.

The significant growth in these ESG assets reflects several factors. These include growing market penetration of SRI products, the development of new SRI products and the fuller integration of ESG criteria by numerous large asset managers across wider portions of their holdings. Furthermore, the past two years have seen a growing commitment on the part of institutional investors and asset managers to the Principles for Responsible Investment, a global framework for taking ESG considerations into account in investment analysis, decision-making and active ownership strategies.

The broad outlines of the ESG issues incorporated by money managers are as follows:

- Environmental investment factors are incorporated in the management of 672 investment vehicles with $2.94 trillion in assets under management,
- Social criteria, which include Sudan-avoidance policies and community-related investment policies, are the most prominent in asset-weighted terms, incorporated in the management of $4.27 trillion across a wide range of 770 investment vehicles,
- Governance issues are incorporated by a total of 501 investment vehicles with $3.53 trillion in assets, and
- Product-specific criteria, such as restrictions on investment in tobacco and alcohol, are included in the management of 445 investment vehicles with $1.76 trillion in assets.

The assets and numbers of funds incorporating ESG criteria have continued a trajectory of dramatic growth since 2007. These assets, excluding assets of separate account vehicles and community investing institutions, have increased to $4.31 trillion in 925 distinct ESG funds in 2014, more than four times the $1.01 trillion tracked in 2012, as shown in Figure B.

Fig. B: Investment Funds Incorporating ESG Factors 1995–2014

	1995	1997	1999	2001	2003	2005	2007	2010	2012	2014
Number of Funds	55	144	168	181	200	201	260	493	720	925
Total Net Assets (In Billions)	$12	$96	$154	$136	$151	$179	$202	$569	$1,013	$4,306

SOURCE: US SIF Foundation.
NOTE: ESG funds include mutual funds, variable annuity funds, closed-end funds, exchange-traded funds, alternative investment funds and other pooled products, but exclude separate account vehicles and community investing institutions.

Registered Investment Companies

Among the universe of investment vehicles that incorporate ESG factors into investment management, 480 registered investment companies, including mutual funds, variable annuity funds, exchange-traded funds (ETFs) and closed-end funds, accounted for $1.94 trillion in ESG assets. This segment of the ESG investment market has more than tripled since 2012, when the US SIF Foundation identified just $644 billion in registered investment companies that incorporated ESG criteria.

Alternative Investment Vehicles

The US SIF Foundation identified 336 different alternative investment vehicles—private equity and venture capital funds, responsible property funds and hedge funds—engaged in sustainable and responsible investment strategies, with a combined total of $224 billion in assets under management.

They include a number of private equity funds focused on themes like clean technology and social enterprise, and property funds focused on themes like green building and smart growth.

Other Investment Vehicles

- Other Pooled Products: The research team identified 109 other pooled products (typically commingled portfolios managed primarily for institutional investors and high-net-worth individuals) with $2.15 trillion in assets that were invested according to ESG criteria.
- Separate Account Vehicles: Among separate account managers, 214 distinct separate account vehicles with $432.9 billion in assets incorporated ESG factors into investment management.
- Community Investing Institutions: A total of 880 community investing institutions (CIIs), including community development banks, credit unions, loan funds and venture capital funds, collectively manage $64.3 billion in assets. CIIs have an explicit mission of serving low- and moderate-income communities and individuals.

ESG INCORPORATION BY INSTITUTIONAL INVESTORS: With $4.35 trillion in assets involved in ESG incorporation, in filing shareholder resolutions or in both strategies, institutional investors hold a substantial portion of the assets in the SRI universe documented in this report. These asset owners include educational endowments, public funds, corporate funds, faith-based investors, family offices, foundations, healthcare funds, labor union pension funds and other institutional investors.

Institutional asset owners across the United States now consider environmental, social or corporate governance criteria in investment analysis and portfolio selection for aggregate assets of $4.04 trillion, a 77 percent increase since the start of 2012.

The leading ESG criteria that institutional investors consider are restrictions on investing in companies doing business in Sudan or in other terrorist or repressive regimes, followed by tobacco-related restrictions, general governance considerations and executive pay. This year, equal employment opportunity and diversity rose to one of the top 10 criteria for institutional investors based on the value of the assets affected.

Shareholder Advocacy

A wide array of institutional investors—including public funds, religious investors, labor funds, foundations and endowments—and money managers file or co-file shareholder resolutions at US companies on ESG issues, and hundreds of these proposals come to votes each year. From 2012 to 2014, 175 institutional investors and 27 investment management firms with total assets of $1.72 trillion filed or co-filed resolutions. The number of institutions and managers involved in filing shareholder resolutions has remained consistent over the past four years.

Even if they are not filing shareholder resolutions, money managers are increasingly pursuing shareholder engagement strategies on ESG issues. The US SIF Foundation identified a number of money managers that engage in dialogue with portfolio companies in order to improve the companies' ESG practices or disclosure. (In this report, the assets involved in corporate engagement efforts are not counted toward the overall total of SRI assets unless they are also involved in filing shareholder resolutions or ESG incorporation.)

Fig. C: 2014 Sustainable and Responsible Investing Assets

ESG Incorporation		
Money Managers and CIIs	$4,803.3	
Institutional Investors	$4,041.8	
Overlapping Assets	$(2,644.9)	
Subtotal		**$6,200.2**
Shareholder Advocacy		
Money Managers	$119.4	
Institutional Investors	$1,597.1	
Subtotal		**$1,716.5**
Overlapping Strategies		$(1,344.5)
TOTAL		**$6,572.2**

SOURCE: US SIF Foundation.
NOTE: ESG Incorporation includes community investing institutions (CIIs). All asset values are in billions.

Major SRI Drivers and Trends

In recent years, numerous trends have shaped the evolution and growth of SRI within US financial markets:

- Money managers increasingly are incorporating ESG factors into their investment analysis and portfolio construction, driven by the demand for ESG investing products from institutional and individual investors and by the mission and values of their management firms. Of the managers that responded to an information request about reasons for incorporating ESG, the highest percentage, 80 percent, cited client demand as their motivation.
- The growth of the Principles for Responsible Investment (PRI) and the first annual publication of the PRI's Responsible Investment Transparency Reports in summer 2014 has led to new data about money managers that engage in ESG integration (or "general" environmental, social and governance considerations) across multiple asset classes. The increasing popularity of SRI has led major money managers including Capital Group and Wellington Asset Management to expand the application of ESG factors to wider portions of their portfolios.
- Of the money managers that responded to an information request about their ESG incorporation strategies, more than half reported that they use negative screening within their funds. Others reported using strategies of positive screening, impact investing and sustainability-themed investing. Yet the incorporation strategy that affected the highest number of assets, $4.74 trillion, was ESG integration. (See the glossary of ESG incorporation terms on the next page.)
- Following the December 2012 shooting at Sandy Hook Elementary School and growing pressure from elected officials and stakeholders, institutional investors and money managers alike have incorporated investment criteria related to military and weapons production. In the past two years, consideration of these criteria by money managers has grown nearly four-fold in asset-adjusted terms, incorporated by

292 investment vehicles representing $588 billion in assets. Among institutional asset owners, concerns over military and weapons production now apply to $355.1 billion in assets, a nearly five-fold increase.

- For both money managers and institutional investors, climate change remains the most significant environmental factor in terms of assets, affecting $275.6 billion and $551.5 billion, respectively. Fossil fuel restriction or divestment policies, tracked for the first time in 2014, accounted for $29.4 billion in money manager assets and $13.5 billion in institutional investor assets at the beginning of 2014. Additionally, in the past year, momentum around fossil-free investment has continued to grow in ways that this report's snapshot of the field at the beginning of 2014 does not fully reflect. Moreover, shareholders concerned about climate risk filed 72 resolutions on the subject in 2014, more than double the number in 2012, and negotiated a number of commitments from the target companies to disclose and reduce their greenhouse gas emissions.
- Place-based investing, largely by public funds directing investment into their city or state in targeted strategies, emerged as a new trend, accounting for nearly $90 billion in assets.

ESG INCORPORATION STRATEGIES AND TERMS

NEGATIVE/EXCLUSIONARY: the exclusion from a fund or plan of certain sectors or companies based on specific ESG criteria

ESG INTEGRATION: the systematic and explicit inclusion by investment managers of ESG risks and opportunities into traditional financial analysis

POSITIVE/BEST-IN-CLASS: investment in sectors, companies or projects selected for positive ESG performance relative to industry peers

IMPACT INVESTING: targeted investments, typically made in private markets, aimed at solving social or environmental problems

SUSTAINABILITY THEMED INVESTING: the selection of assets specifically related to sustainability in single- or multi-themed funds

- The number and proportion of shareholder proposals on social and environmental issues that receive high levels of support has been trending upward.
- In response to shareholder campaigns for better corporate governance practices, the number of US companies establishing more stringent standards for their board elections continues to grow. These companies are requiring directors to submit to annual elections and to offer their resignations if they fail to receive approval from the majority of shares voted.
- Individual and institutional investors have given overwhelming support to a rulemaking petition urging the US Securities and Exchange Commission to require companies to disclose their political spending. The SEC had received more than 1 million comments on the proposal—a record in SEC rulemaking history.

I. Introduction

Sustainable, responsible and impact investing (SRI) is growing rapidly in the United States, and practitioners of these strategies can be found throughout the country. These varied individuals and organizations share a desire to achieve both long-term competitive financial returns and positive societal impact through their investment practices. As a result, they consider environmental, social or corporate governance (ESG) issues as they make decisions about their portfolios or raise their voices as shareholders.

Their numbers include:

- Individuals who invest in mutual funds that seek companies with good labor and environmental practices.
- Banks and credit unions with a specific mission of serving low- and middle-income communities.
- Foundations that practice mission investing across their portfolios in order to enhance their philanthropic grantmaking.
- Religious institutions that file shareholder resolutions to urge their portfolio companies to meet strong ethical and governance standards.
- Venture capitalists and private equity investors that identify and develop companies that produce environmental services, create jobs in low-income communities or provide other societal benefits.
- Labor pension funds that make investments in support of labor and human rights and engage companies about executive compensation and governance practices.
- Colleges and universities that are incorporating sustainability concerns into their endowment management.
- Public pension plans that have encouraged companies in which they invest to reduce their greenhouse gas emissions and to factor climate change into their strategic planning.
- Major investment management firms that in recent years have endorsed and begun to implement international frameworks for responsible investment.

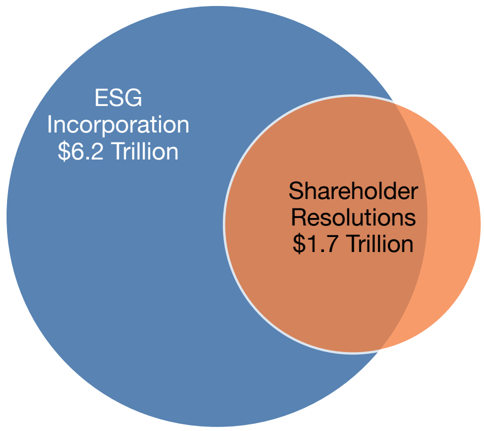
Nearly 18 percent of all investment assets under professional management in the United States—$6.57 trillion out of $36.8 trillion—are held by individuals, institutions, investment companies or money managers that either consider ESG issues in selecting investments across a range of asset classes, or file shareholder resolutions on ESG issues at publicly traded companies.

These findings are based on surveys and research that the US SIF Foundation commissioned in 2014. Through this research process, the Foundation identified:

- $6.21 trillion in US-domiciled assets at the outset of 2014 held by 480 institutional investors, 308 money managers and 880 community investing financial institutions to which various ESG criteria are applied in investment analysis and portfolio selection, and
- $1.72 trillion in US-domiciled assets at the start of 2014 held by more than 200 institutional investors or money managers that filed or co-filed shareholder resolutions on ESG issues from 2012 through 2014.

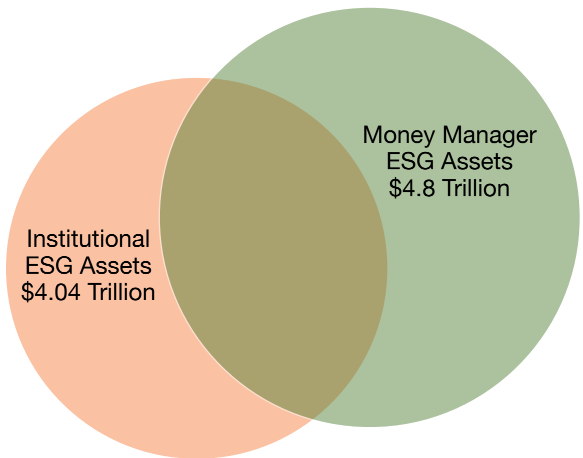
These two segments of assets, after eliminating for double-counting of assets involved in both strategies, yield the overall total of $6.57 trillion, a 76-percent increase over the $3.74 trillion that the US SIF Foundation identified in sustainable investing strategies at the outset of 2012.

Fig. 1.0: Sustainable and Responsible Investing in the United States 2014



SOURCE: US SIF Foundation.
NOTE: ESG incorporation assets in this figure include those in Community Investing Institutions.

Fig. 1.1: ESG Incorporation in the United States 2014



SOURCE: US SIF Foundation.

Over the last 20 years, the assets engaged in SRI strategies have grown significantly. (See Figure 1.2.) Milestones include:

- In 1995, when the US SIF Foundation published its first report on SRI trends, $639 billion were identified as using SRI strategies.
- By 2005, that figure had grown to $2.29 trillion.
- In 2010, the Foundation found $3.07 trillion in SRI assets under management, up more than 13 percent over the start of 2007, despite the decline in several broad market indices such as the S&P 500 over the same period.

- The 2014 tally of $6.57 trillion, more than double the comparable sum from 2010, reflects not only the overall recovery of the financial markets over that period but also, in part, the dramatic growth in the assets and numbers of mutual funds considering ESG criteria.

Fig. 1.2: Sustainable and Responsible Investing in the United States 1995–2014

(In Billions)	1995	1997	1999	2001	2003	2005	2007	2010	2012	2014
ESG Incorporation	$166	$533	$1,502	$2,018	$2,157	$1,704	$2,123	$2,554	$3,314	$6,200
Shareholder Advocacy	$473	$736	$922	$897	$448	$703	$739	$1,497	$1,536	$1,716
Overlapping Strategies	N/A	($84)	($265)	($592)	($441)	($117)	($151)	($981)	($1,106)	($1,344)
Total	$639	$1,185	$2,159	$2,323	$2,164	$2,290	$2,711	$3,069	$3,743	$6,572

SOURCE: US SIF Foundation.
NOTE: Overlapping assets involved in some combination of ESG incorporation (including community investing) and shareholder advocacy are subtracted to avoid potential effects of double counting. Separate tracking of the overlapping strategies only began in 1997, so there is no datum for 1995. Prior to 2010, assets subject to ESG incorporation were limited to socially and environmentally screened assets.

The Evolution of Sustainable, Responsible and Impact Investing

The history of investing for impact stretches over centuries. Religious investors from Jewish, Christian and Islamic faiths and many indigenous cultures have long considered the broad impacts of their financial decisions, giving careful consideration to the way economic actions affected others around them and shunning investments that violated their traditions' core beliefs. In the American colonies, some Quakers and Methodists refused to make investments that might have benefited the slave trade, for example, and the earliest explicit ethical investment policies in fund management avoided so-called "sin" stocks—companies involved in alcohol, tobacco or gambling. Indeed, the first mutual fund to incorporate such screening was the Pioneer Fund, which opened in 1928 and has excluded tobacco and alcohol stocks from its portfolio since 1950.

Sustainable investing in its present-day form, however, arose in the aftermath of the social and cultural transformations of the 1960s and 1970s, as the civil rights, feminist, consumer, antiwar and environmental movements raised awareness about a host of social, environmental and economic problems and made the connection to corporate and investor responsibility. In response, a growing number of universities, faith-based institutions, foundations and others began to inquire if they had responsibilities to correct "social injury" caused by the companies in which they invested as minority shareholders. Aided by regulatory changes by the Securities and Exchange Commission, a growing band of individual and institutional investors filed the first dozens of shareholder resolutions to raise questions about environmental and social responsibility at the annual meetings of US publicly traded companies.

Several organizations were founded during this time to assist investors on social responsibility questions. The Council on Economic Priorities began rating companies on social and environmental performance in 1969. A consortium of colleges, universities and foundations established the Investor Responsibility Research Center in 1972, while religious investors founded the Interfaith Center on Corporate Responsibility a year later.

From Avoidance to Active Ownership at Publicly Traded Companies

The early 1970s also saw the launch of the first modern SRI mutual funds. The Pax World Fund, founded in 1971, and the Dreyfus Third Century Fund, created the next year, were the first funds both to avoid

MILESTONES IN SRI

1995	2005	2010	2014
US SIF Foundation published its first report on SRI trends, identifying **$639 billion** in SRI strategies in the United States.	Assets involved in SRI grew to **$2.29 trillion**.	US SIF Foundation found nearly **$3.07 trillion** in SRI assets under management, up more than 13 percent over the start of 2007, despite the decline in several broad indices such as the S&P 500 over the same period.	The tally is now **$6.57 trillion**, more than double the comparable sum from 2010, and reflects, in part, the dramatic growth in the assets and numbers of mutual funds considering ESG criteria.

tobacco, alcohol, nuclear power and military defense contractors and to consider labor and employment issues. Both remain open to investors today, though under different names and with different investment styles than at their launch.

Several developments in the 1980s galvanized responsible investing and broadened its range. The anti-apartheid campaigns of the 1980s motivated endowments and other institutions to divest their portfolios of companies doing business in South Africa as a protest against the regime's system of racial inequality or to engage with companies operating there to work for meaningful change in that country. Environmental catastrophes at Chernobyl and Bhopal and the Exxon Valdez oil spill served as flashpoints for investor concerns over pollution, energy use and environmental management. These events inspired investment research firms to collect more extensive data on publicly traded companies by which to assess their environmental systems and performance. The 1980s also witnessed a new interest in corporate governance, as public and labor pension funds joined together to defend their interests after a growing number of companies adopted anti-takeover defenses that infringed on shareholder rights.

The issues that SRI practitioners consider have continued to evolve. Divestment from companies in South Africa faded after the end of apartheid. However, concerns about human rights and repressive regimes have led sustainable investors to look closely at companies facing social, political and "reputational" risks due to their international operations. Many investors have screened out companies doing business in the Sudan, Iran or other regimes that have poor records on human rights or foment conflict or terrorism.

As globalization has extended supply-chain operations into emerging markets across the world, sustainable investors have questioned multinational corporations about their impact on the countries in which they and their contractors do business, whether related to the environment or to their use of sweatshop or child labor. Many investors also actively engage with companies in their emerging market portfolios.

Concerns over the risks associated with climate change and with dependence on fossil fuels have broadened the scope of environmental investing. "Green investing" in clean technology, alternative energy and environmental services have fueled considerable economic growth and financial innovation over the last several years, including the development of a market for "green bonds" for environmental projects and services. Additionally, institutional investor coalitions such as the Investor Network on Climate Risk, a project of Ceres that brings together over 100 investors managing $10 trillion in combined assets, coordinate shareholder advocacy on climate risk and promote public policies to encourage energy efficiency and renewable energy solutions. CDP, a global investor initiative, has encouraged corporations around the world to report a wide array of climate-related data as well as information on water use. The trailblazing financial research of the Carbon Tracker Initiative and the fossil fuel divestment campaign have further heightened investor attention to climate change.

The popularity of sustainable investing has also contributed to the creation and growth of SRI indices. Since the May 1990 launch of the pioneering Domini 400 Social Index now known as the MSCI KLD 400 Social Index, there has been a dramatic expansion of indices that incorporate ESG criteria. Both sustainable investment and research firms, such as Calvert Investments, Jantzi-Sustainalytics and WilderShares, offer such indices, as do other financial services groups, such as S&P Dow Jones Indices, FTSE and MSCI Barra.

Whether companies meet reporting and performance standards in areas such as board oversight, climate risk, executive pay, human rights, supply-chain management and use of toxic chemicals have become questions that sustainable investment analysts now routinely ask. The Global Reporting Initiative, the Sustainability Accounting Standards Board and the International Integrated Reporting Council are three initiatives that seek to promote and standardize corporate reporting of the ESG data investors need to assess companies' societal and environmental impact and long-term investment potential.

Whether or not investors consider these issues when they select their portfolios, they can use shareholder strategies to bring them to the attention of management. Rising levels of support in recent years for shareholder resolutions on an array of environmental, social and corporate governance issues highlight the increasing importance that active asset owners place on corporate social responsibility and corporate governance.

The Search for Sustainability across Asset Classes

The interest in sustainable and responsible investing is not limited to publicly traded securities alone. Religious investors and those involved in the social transformations of the 1960s and 1970s also sought to use their investments to aid in community development efforts throughout the United States and abroad. The Johnson Administration's "War on Poverty" helped create community development corporations, and the Community Reinvestment Act of 1977 encouraged investment in low-income communities. Community development banks, credit unions, loan funds and affordable housing groups started forming in the 1970s. In 1972, Kentucky Highlands Investment Corporation helped pioneer a new form of "development venture capital," making private equity investments to support entrepreneurs committed to building businesses and hiring the unemployed in distressed rural communities in Appalachia.

Additionally, with the Tax Reform Act of 1969, US foundations gained the ability to meet their annual charitable distribution requirements in part through program-related investments that may provide below-market returns but complement and extend their more traditional grantmaking. These efforts and others laid the groundwork for what eventually developed into the community investing industry.

In the 1980s, labor pension funds and others developed building investment trusts and other alternative investment vehicles that generated social as well as financial returns. In 1989, a US SIF survey found interest among its members in exploring alternative investments, outside of public securities, "that support social products or purposes through direct debt or equity investments or deposits with specialized financial intermediaries."[1]

Developments in the following decade attested to the appeal of alternative investments offering social and environmental benefits. Investors' Circle, a consortium of angel investors, venture capitalists, family offices and foundations, emerged in 1992 to sponsor venture fairs and other activities that to date have generated $165 million in early-stage investments in 265 enterprises and funds dedicated to improving health, educational, environmental and community services.[2]

US MILLENNIALS AND SUSTAINABLE INVESTMENT

A question of interest to many investment management firms is how the emerging millennial generation will approach investing as it acquires and inherits wealth.

Who are Millennials?
The Millennial Generation, or Generation Y, is generally defined as individuals born between 1980 and 2000. Data from the US Census Bureau indicates that there are over 85 million people in this age range in the United States, comprising about 27 percent of the population. Compared with previous generations, "millennials" are more educated, with 34 percent of 25–32 year olds holding a Bachelor's degree or higher, compared with 25 percent of Generation Xers (ages 34–49), 24 percent of late Baby Boomers (ages 49–58) and 24 percent of early Baby Boomers (ages 59–67).[4] Millennials are also more racially and ethnically diverse than previous generations.[5]

Millennials have been shaped by a post 9/11 world and long wars in Afghanistan and Iraq. They have also experienced rapid technological innovation as well as volatile financial and economic markets, first with the dot-com crash in the 1990s and then with the 2008 financial crisis. They are dealing with high unemployment and job insecurity, lower incomes and high student loans. A 2014 Wells Fargo study found that 56 percent of millennials surveyed said they are living paycheck to paycheck.[6] Despite these challenges, studies show they are optimistic and hopeful.[7] They have also been characterized as tech-savvy, entrepreneurial, independent and self-confident, although these are broad generalizations.

Millennials have a strong sense of community, both globally and locally. Through travel and 24/7 news and social media, they have a "heightened awareness" of the social and environmental problems taking place in far corners of the world.[8] At the same time, they have supported the growing community movements for locally grown food and locally generated jobs. A study by Telefónica found that 51 percent of millennials surveyed believe they can make a difference globally, while 82 percent believe they can make a difference locally.[9]

In a recent Clinton Global Initiative University–Microsoft survey, millennials ranked their top issue as education, with 72 percent identifying it as very important, followed by human rights (64 percent) and the economy (62 percent).[10] This generation seeks to tackle these and other issues in an integrated fashion, no longer separating "doing good" in silos of volunteering or traditional philanthropy, but seeking also to make a difference in society through the jobs they hold, the products they buy and the investments they make.

Millennials and SRI
While a large number of studies and articles have been published on millennials broadly, most surveys and studies regarding their attitudes towards sustainable and impact investing have been directed to high net worth (HNW) millennials.

Over the next few decades, the millennial generation will inherit trillions of dollars from Baby Boomers and accumulate wealth through professional activities or other means. Yet, having witnessed their parents' retirement accounts and other assets plummet in value during the financial crisis, over 40 percent of HNW millennials identify themselves as "conservative investors", far more so than baby boomers, and their risk tolerance is on par with that of the World War II generation, according to a UBS survey.[11]

While financial security is paramount to millennials, they also seek to make positive social and environmental impacts with their investments. Some are even willing to accept lower returns from investments in companies with greater social and environmental impacts.[13] A survey of HNW millennials by US Trust Bank of America Private Wealth Management found that 69 percent believe that the social, environmental, and political impact of investing is somewhat or extremely important, and that 31 percent have reviewed their investment portfolio for such non-financial impacts.[14]

The community investing industry also developed further in the mid-1990s with the formation of the US Treasury's Community Development Financial Institution (CDFI) Fund, revisions to the Community Reinvestment Act, and creation of the New Markets Tax Credit and other tax incentives that helped to usher new forms of responsible investment into low-income communities.

Placing deposits in insured banks and credit unions that have a specific mission of community development is popular with many investors because they are standard vehicles and carry federal deposit insurance. The Certificate of Deposit Account Registry Service (CDARS), created in 2003, is often used to create one large cash deposit that is placed in multiple banks in amounts that qualify for federal deposit insurance. A similar product for credit union deposits is offered by the National Federation of Community Development Credit Unions. Both these programs have facilitated growth in deposits in community-oriented financial institutions.

In addition to supporting low-income and other under-served communities in the United States, investors have sought to support the development of responsible financial services in low- and middle-income countries. The award of the Nobel Peace Prize in 2006 to Muhammad Yunus and the Grameen Bank he founded in Bangladesh to help poor women gain access to credit and financial education highlighted the transformational role that microfinance can play in poor communities. Many international microfinance institutions have transformed from nonprofits dependent on foreign investment to regulated microfinance banks that can now accept local deposits from the customers to whom they have always lent.

US SIF has defined and included community investing options such as community development banks, credit unions, loan funds, venture capital funds and microfinance funds as an important part of sustainable and responsible investing since the publication of the 1999 Trends Report.

In addition to the community development and microfinance industries now largely established, there are a growing number of other investment vehicles that incorporate ESG criteria into their business strategies—including private equity, property and hedge funds for accredited investors. Some of these funds have explicit missions to support such goals as sustainable agriculture, clean energy, transit-oriented development, education, fair trade or health care. In 2009, the Global Impact Investing Network was created to bring together investors interested in such investment vehicles and to help drive new investments by high-net-worth individuals, foundations and others into this field.

Another indication of the interest in using ESG criteria to assess alternative investment opportunities is the development of the Private Equity Growth Capital Council's Guidelines for Responsible Investment. This nine-point set of principles calls on the Council's member firms, among other things, to "seek to grow and improve the companies in which they invest for long-term sustainability and to benefit multiple stakeholders, including on environmental, social and governance issues."

Global Principles and Demand

The creation of the Principles for Responsible Investment (PRI), a global investor network, advances the view that environmental, social and corporate governance issues can affect the performance of investment portfolios and therefore must be given appropriate consideration by investors if they are to fulfill their fiduciary duty. Major institutional asset owners, particularly in Europe, have made clear that they expect investment managers with which they work to join the PRI. This client demand has helped persuade major US asset managers to endorse the PRI and thereby commit to "incorporate ESG issues into investment analysis and decision-making processes" and "in our ownership policies and practices." The increasing incorporation of ESG factors into the investment process of PRI signatories has been a major source of recent growth of SRI assets under professional management in the US and globally.

Sustainable and Responsible Investing Strategies

Responsible investors focus on either or both of two strategies.

- One is incorporating ESG criteria into investment analysis and portfolio construction across a range of asset classes.
- A second, for those with shares in publicly traded companies, is filing shareholder resolutions and practicing other forms of shareholder engagement.

In **ESG incorporation**, asset managers complement traditional, quantitative techniques of analyzing financial risk and return with qualitative and quantitative analyses of ESG policies, performance, practices and impacts.

As an investment discipline, ESG incorporation can be a process of identifying and investing in companies that meet certain standards of corporate governance and social responsibility. Asset managers and asset owners may seek to include companies that have stronger policies and practices in their portfolios, or to exclude or avoid companies with poor ESG records. Others may incorporate ESG factors to benchmark corporations to peers or to identify "best-in-class" investment opportunities. Still other responsible investors integrate ESG factors into the investment process as part of a wider evaluation of risk and return.

A pronounced trend in recent years is the growing interest, particularly among high-net-worth individuals and foundations, in seeking investments in cash-like instruments, private equity, loan funds and other vehicles that have a direct impact in fostering development of low-income communities or advancing environmental sustainability while providing financial returns.

Shareholder engagement involves actions sustainable investors take as asset owners to communicate with companies on ESG issues of concern. For owners of shares in publicly traded companies, shareholder advocacy can take the form of filing and co-filing shareholder resolutions on ESG issues and actively voting their proxies in support of such resolutions, as well as engaging with corporate management over issues of concern, whether directly or through investor networks. Shareholder resolutions on ESG issues generally aim to improve company policies and practices and to promote the long-term concerns of shareholders and other stakeholders. Some sustainable investors also speak out for legislative and regulatory changes that will lead to greater corporate accountability and disclosure on ESG issues.

Motivations and Terminology

There is no single motivation for pursuing sustainable and impact investing.

Some investors are driven by their personal values and goals, their institutional mission, or the demands of their clients, constituents or plan participants; they aim for strong financial performance, but also believe that these investments should be used to help contribute to advancements in social, environmental and governance practices. They may actively seek out investments—such as community development loan funds or clean tech portfolios—that are likely to provide important societal or environmental benefits.

Some investors embrace SRI strategies to manage risk and fulfill fiduciary duties; they may review ESG criteria as part of their due diligence process to assess the quality of management and the likely resilience of their portfolio companies in dealing with future challenges. Some are seeking hidden sources of alpha (financial outperformance) over the long term. Indeed, a growing body of academic research shows a strong link between ESG and financial performance.[3]

Just as there is no single motivation for SRI, there is no single term to describe it. Depending on their emphasis, investors use such labels as "community investing," "ethical investing," "green investing," "impact investing," "mission-related investing," "responsible investing," "socially responsible investing," "sustainable investing" and "values-based investing" among others. To reflect this diversity of terminology, this report uses the terms sustainable and responsible investing, sustainable investing, responsible investing, impact investing and SRI interchangeably.

SRI is an evolving form of finance, and the proliferation of approaches underscores this basic dynamism. What unites these diverse investment approaches—and what ultimately distinguishes them from the broader universe of assets under management in the United States—is the explicit incorporation of environmental, social or governance issues into investment decision-making, fund management or shareholder engagement activities. This report seeks to quantify these various forms of strategic sustainable investment behavior across the diverse terms that investors may use, the tactics they apply, and the motivations for their involvement.

Structure of This Report

The next chapters of this report examine in more detail the various strategies and practitioners represented in the total $6.57 trillion of SRI assets cited in this introduction.

Two chapters focus on the practitioners of ESG incorporation—the consideration of ESG criteria in investment analysis and portfolio selection. **CHAPTER II, "ESG INCORPORATION BY MONEY MANAGERS AND FINANCIAL INSTITUTIONS,"** examines the incorporation of ESG issues by money managers across a wide range of investment vehicles—mutual funds, including those underlying annuity products; exchange-traded funds; closed-end funds; alternative investment vehicles such as social venture capital, private equity, hedge and property funds; and other commingled products and separate accounts. It also looks at the growth in assets of community development banks, credit unions and loan funds. It quantifies the scope and scale of investment vehicles incorporating ESG, the leading ESG criteria incorporated and other leading trends that are shaping the field and driving growth.

CHAPTER III, "ESG INCORPORATION BY INSTITUTIONAL INVESTORS," analyzes leading ESG incorporation trends among institutional investors, such as public funds, corporations, endowments, faith-based institutions, foundations, hospitals and healthcare plans, labor unions and other nonprofit organizations.

CHAPTER IV, "SHAREHOLDER ADVOCACY AND PUBLIC ENGAGEMENT," analyzes trends in active ownership strategies, such as filing shareholder resolutions, proxy voting and engaging companies in dialogue in order to hold corporations accountable for their practices and social and environmental impact. It quantifies the number of institutional investors and money managers that filed or co-filed shareholder resolutions at publicly traded companies in recent years and the value of the assets they control. It also looks at the networks sustainable investors have formed to have a more prominent voice in the public policy arena.

CHAPTER V, "METHODOLOGY," presents the methods and sources used to compile this report.

CHAPTER VI, "ABOUT THE PUBLISHER," provides further details about the US SIF Foundation and US SIF. A bibliography of recent research and literature on SRI and a list of online resources can be found at the conclusion of this report. Among the appendices are a glossary of ESG incorporation criteria and lists of ESG vehicles and community investing institutions, of institutional investors and money managers engaged in ESG incorporation, and of the institutions and managers that have filed or co-filed shareholder resolutions on ESG issues in recent years.

II. ESG Incorporation by Money Managers and Financial Institutions

Money managers and financial institutions now incorporate environmental, social and governance (ESG) issues into their investment decision-making across portfolios that totaled $4.80 trillion at the start of 2014, more than triple the corresponding tally of $1.41 trillion just two years earlier. These ESG investment assets are managed by 308 management firms and 880 community investing institutions. The dramatic growth in these assets in the last two years reflects in large part the fuller integration of ESG criteria by numerous large asset managers across wider portions of their holdings. An important driver for this expansion is the Principles for Responsible Investment, which provides a framework for taking ESG considerations into account in investment analysis, decision-making and active ownership strategies. It recently stepped up requirements that signatories to the Principles report publicly on how they are implementing them.

Key Trends

- The growing number of financial institutions with strategies of "ESG integration" has vastly increased the assets managed with "general" environmental, social or governance issues taken into account. Among all investment vehicles, the US SIF Foundation identified $2.57 trillion in assets incorporating general environmental considerations, $2.55 trillion incorporating general social considerations and $2.50 trillion incorporating general governance considerations.
- When it comes to specific ESG criteria, though, avoidance of tobacco-related investments predominates, affecting $1.47 trillion in assets under management.
- Growing concern about civilian firearms, among other factors, has contributed to the nearly $590 billion in assets under management that avoid investment in military or weapons manufacturers, a nearly four-fold increase from two years earlier.
- Climate change is the most significant specific environmental factor that money managers consider; the assets affected by this criterion—$276 billion—have doubled since 2012.
- The assets of alternative investment vehicles—which include hedge funds, property funds, and venture capital and private equity funds—that incorporate ESG criteria totaled $224 billion at the start of 2014, an increase of nearly 70 percent since 2012.
- Community investing institutions—community development banks, credit unions, loan funds and venture capital funds with an explicit mission of serving low- and moderate-income communities—reported $64.3 billion in combined assets.

Background

The US SIF Foundation identified more than 300 investment advisors managing 925 investment funds and 214 separate accounts that incorporated ESG criteria into their investment analysis or portfolio selection, as well as 880 community investing institutions, at the start of 2014.

Fig. 2.0: 2014 Sustainable and Responsible Investing Assets		
ESG Incorporation		
Money Managers and CIIs	$4,803.3	
Institutional Investors	$4,041.8	
Overlapping Assets	$(2644.9)	
Subtotal		**$6,200.2**
Shareholder Advocacy		
Money Managers	$119.4	
Institutional Investors	$1,597.1	
Subtotal		**$1,716.5**
Overlapping Strategies		$(1,344.5)
TOTAL		**$6,572.2**

SOURCE: US SIF Foundation.
NOTE: ESG Incorporation includes community investing institutions (CIIs). All asset values are in billions.

The $4.8 trillion in assets managed by these investment advisors and community investing institutions constitute an important component of the total $6.57 trillion in US-based assets engaged in either ESG incorporation or shareholder advocacy, and of the $6.20 trillion engaged specifically in ESG incorporation, as shown in Figure 2.0.

The ESG assets under management in investment funds and separate accounts totaled $4.74 trillion, and assets in community investment institutions totaled $64.3 billion, as shown in Figure 2.1.

The assets and numbers just of investment funds (excluding assets of separate account vehicles and community investing institutions) that incorporate ESG criteria have continued a trajectory of dramatic growth since 2007. These assets have increased to $4.31 trillion in 2014, more than four times the $1.01 trillion tracked in 2012, as shown in Figure 2.3.

This chapter focuses on money managers that incorporate ESG criteria into their investment vehicles and community investing institutions. (See Chapter IV for more information on the money managers that have filed or co-filed shareholder resolutions on ESG issues since 2012.)

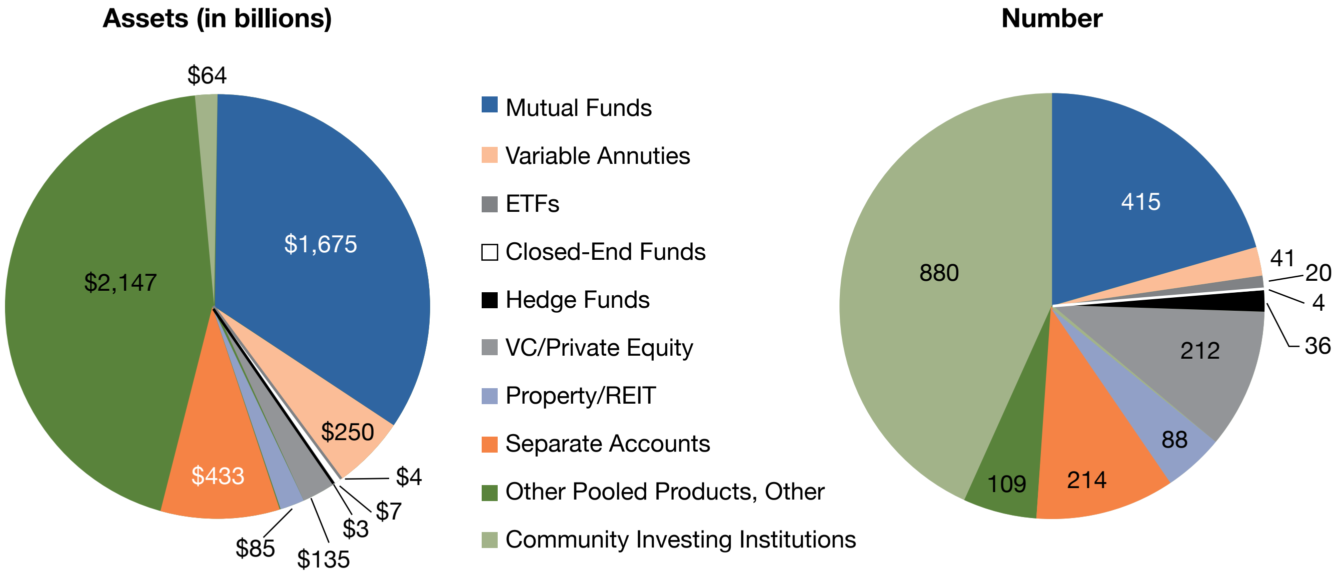
- The first section of this chapter examines the leading ESG themes that money managers are incorporating into their asset management, the strategies they employ when considering ESG criteria and the reasons they cite for taking these criteria into account.
- The second section looks more closely at the ESG criteria that various types of investment vehicles consider, including mutual funds, variable annuity funds, closed-end funds, exchange-traded funds and other investment vehicles such as property funds, separate accounts, hedge funds and other pooled products.
- Finally, the last section of the chapter examines community investing, both community-related investing by SRI managers and vehicles, and the growth of community development banks, community development credit unions, community development loan funds and community development venture capital funds.

Fig. 2.1: Types and Assets of Investment Vehicles and Financial Institutions Incorporating ESG Criteria 2014

	Number	Assets (in Billions)
Mutual Funds	415	$1,675.1
Variable Annuities	41	$249.7
ETFs	20	$3.5
Closed-End Funds	4	$7.3
Alternatives	336	$224.0
Other Pooled Products, Not Listed	109	$2,146.7
Subtotal, Investment Funds	**925**	**$4,306.2**
Separate Accounts	**214**	**$432.9**
Community Investment Institutions	**880**	**$64.3**
Total		**$4,803.3**

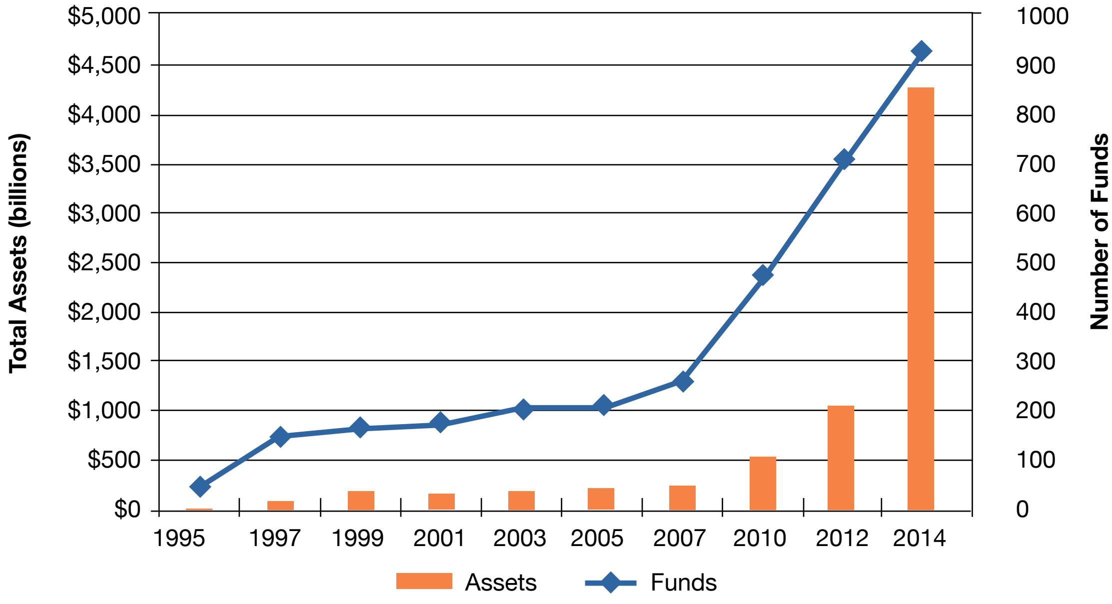
SOURCE: US SIF Foundation.
NOTE: Includes the assets of 94 "funds of funds," which are otherwise controlled for double-counting effects prior to aggregation. Community investing institutions include financial institutions such as banks and credit unions in addition to loan funds and venture capital. Some funds such as community development venture capital are classified across multiple categories so assets do not sum.

Fig. 2.2: Types and Assets of Investment Vehicles and Financial Institutions Incorporating ESG Criteria 2014



SOURCE: US SIF Foundation.
NOTE: For the purpose of this figure, community development venture capital funds are grouped with community investing institutions.

Fig. 2.3: ESG Funds 1995–2014



SOURCE: US SIF Foundation.
NOTE: Excludes separate account vehicles and community investing institutions.

A Closer Look at Themes, Strategies and Motivations for Money Managers

Money managers of all types incorporate sustainable and impact investing criteria into their investment decisions. The money managers included here managed nearly 1,140 investment products with some form of ESG criteria—including registered investment vehicles like mutual funds and exchange-traded funds (ETFs), as well as hedge funds, property funds, venture capital funds, separate accounts and other pooled products.[1]

Fig. 2.4: ESG Categories Incorporated by Investment Vehicles 2014

	Number	Assets (in Billions)
Environment	672	$2,936.4
Social	770	$4,273.5
Governance	501	$3,526.9
Products	445	$1,759.8

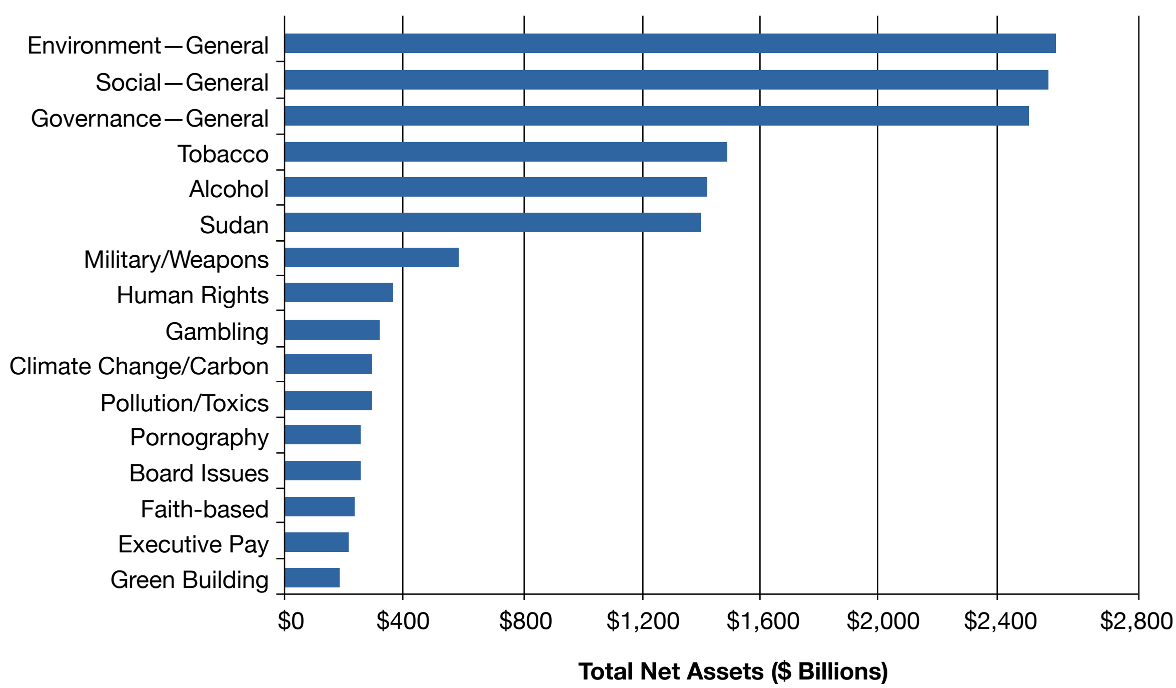
SOURCE: US SIF Foundation.
Note: Social category includes all community-related investment criteria.

Of those products, the greatest number—770, or two-thirds of all ESG investment products identified—incorporated social or community-related investment criteria into investment decisions across $4.3 trillion in combined assets under management, as shown in Figure 2.4. Additionally, 672 funds with $2.9 trillion in combined assets under management take environmental criteria of some kind into consideration, 501 with $3.5 trillion in assets under management considered issues of corporate governance in investment selection, and 445 incorporated criteria related to products of concern—such as tobacco—across approximately $1.8 trillion in assets under management.

Through the US SIF Foundation survey process, money managers could select up to 30 criteria considered by each investment vehicle, broken into environmental, social (including community), governance and product-related categories. They also had the option to specify additional ESG criteria in an “other” box. How investors incorporate each of these criteria varies. For example, “tobacco,” “alcohol” and “fossil fuel” signify industries or sectors that investors may seek to avoid. Criteria such as “green building” and “microenterprise” may be selected by investors actively pursuing investment in these fields. Other criteria such as “labor,” “EEO/diversity,” and “sustainable natural resources” may represent metrics upon which investors evaluate companies. Appendix 1, the Glossary of Environmental, Social and Governance Criteria, provides a more thorough explanation of each of the ESG issues discussed in this report.

An important trend to highlight in recent years is the increasing integration of ESG factors into investment analysis and decision-making by money managers that do not specify particular environmental, social or governance criteria, such as climate, human rights or executive pay. Instead, many have reported consideration of “ESG” factors with no further indication of how they are taking the underlying issues into consideration. Many of these managers are relatively new entrants into sustainable and responsible investing that have become signatories of the Principles for Responsible Investment (PRI). We track unspecified ESG incorporation as “General” ESG criteria, in contrast to money managers that disclose more specific environmental, social or governance issues or that specify an “other” ESG issue that is not common enough to receive its own category. This phenomenon is described in further detail in Chapter V, Methodology.

Fig. 2.5: Leading ESG Criteria, by Assets, for Investment Vehicles 2014



SOURCE: US SIF Foundation.
NOTE: Data are aggregated across all investment vehicle types, including separate account vehicles.

Social Issues

At the outset of 2014, social factors were the most frequently incorporated ESG criteria by money managers; 770 funds, with $4.27 trillion in assets under management, considered these factors, as shown in Figure 2.4. Out of this total, 139 funds, with $2.55 trillion in assets, report that they consider unspecified social issues without giving more detail.

When looking at specific social criteria, however, policies restricting investment in companies doing business with **Sudan** top the list, both in terms of the investment vehicles (361) and the assets ($1.38 trillion) affected. The next widely considered social criterion, in terms of the assets affected, is **human rights**, which is considered by 259 funds with $363.9 billion in assets. However, the second most prevalent social criteria after Sudan restrictions, based on the number of vehicles affected, are **labor**-related issues: a total of 285 smaller funds managing $5.0 billion in combined assets took into consideration issues such as workers' rights, workplace safety, child labor and the right to unionize.

Fig. 2.6: Leading Social Criteria for Investment Vehicles 2014

	Number	Assets (in Billions)
Social—General	139	$2,550.4
Sudan	361	$1,375.5
Human Rights	259	$363.9
MacBride	40	$123.3
Community Relations/Philanthropy	187	$115.6
Terrorist or Repressive Regimes*	133	$100.2
EEO/Diversity	213	$80.3
Fair Consumer Lending	116	$57.3
Community Services	110	$53.9
Affordable Housing	97	$37.6
Small & Medium Businesses	94	$35.6
Microenterprise	67	$23.5
Social—Other	47	$16.9
Community—General	8	$5.2
Labor	285	$5.0
Community—Other	16	$4.1

SOURCE: US SIF Foundation.
* Refers to policies on terrorist or repressive regimes that are not specific to Sudan.

Corporate Governance

Money managers have long addressed corporate governance issues like board diversity, executive compensation and political contributions through shareholder advocacy, as detailed in Chapter IV. However, corporate governance has also become an increasingly important arena for investment analysis and decision-making by money managers. In 2012, investment vehicles with $623 billion in assets under management incorporated governance criteria; by 2014, that amount had jumped to $3.53 trillion, with 501 funds utilizing governance-related criteria, often as part of a firm-wide integration of ESG factors into the investment process.

Fig. 2.7: Leading Governance Criteria for Investment Vehicles 2014

	Number	Assets (in Billions)
Governance—General	255	$2,497.4
Board Issues	242	$227.9
Executive Pay	208	$199.3
Political Contributions	151	$86.4
Governance—Other	30	$80.8

SOURCE: US SIF Foundation.

As shown in Figure 2.7, the leading specific governance criterion incorporated by money managers is **board** issues, such as directors' independence, diversity and responsiveness to shareholders, affecting 242 funds with $227.9 billion in assets under management. This is followed by the consideration of corporate **executive pay** practices, affecting 208 funds with $199.3 billion in assets.

Environmental Issues

Environmental factors were incorporated into the investment criteria of 672 funds, with $2.94 trillion in assets under management. Of this group, 168 vehicles, with $2.57 trillion in assets, say they consider environmental issues generally but did not provide more specific information.

Climate change remains the most significant specific environmental factor taken into consideration by money managers in terms of assets under management, with the amount of affected assets more than doubling since 2012. In 2012, the incorporation of climate change and carbon themes affected 280 investment vehicles with $134 billion in assets. By 2014, that has increased to affect the management of 325 investment vehicles with more than $275.2 billion in assets, as shown in Figure 2.8.

However, **clean technology** (including renewable energy) remains the most frequently incorporated environmental issue for money managers, affecting 381 investment vehicles with $132.3 billion in assets under management.

Of the other environmental criteria tracked, concern for **sustainable natural resources** affect 328 vehicles with $123.0 billion in assets; issues related to **pollution and toxics** affect 323 vehicles with $266.1 billion in assets; and consideration for **green building and smart growth** affects 255 vehicles with $165.9 billion in assets.

Finally, the US SIF Foundation tracked investors reporting **fossil fuel** divestment this year for the first time. At the beginning of 2014, 95 investment vehicles with $29.3 billion in assets under management had adopted investment policies restricting investment in some way in companies involved in the extraction or processing of coal, oil or natural gas.

Fig. 2.8: Leading Environmental Criteria for Investment Vehicles 2014

	Number	Assets (in Billions)
Environment—General	168	$2,571.2
Climate Change/Carbon	325	$275.2
Pollution / Toxics	323	$266.1
Green Building	255	$165.9
Clean Technology	381	$132.3
Sustainable Natural Resources	328	$123.0
Environment—Other	17	$57.3
Fossil Fuel Divestment	95	$29.3

SOURCE: US SIF Foundation.

GREEN BONDS

There is growing interest in green bonds among investors. Green bonds are a relatively new fixed-income financial instrument that may be issued by state and local governments, public agencies, international financial institutions and development banks, and corporations for environmental products, projects and services.

This market began to emerge in 2007 with the issuance of bonds labeled "green" by multilateral entities such as the World Bank and African Development Bank with proceeds earmarked for environmental services projects in developing countries.[2] The market has grown rapidly since then, especially with the entry in 2013 of almost $3 billion in self-labeled corporate green bonds alongside the multilateral and government green bonds.

Although there is currently no universally accepted standard for what constitutes a "green" bond, they typically are used to finance clean energy projects, water infrastructure and climate change adaptation, as well as community economic development and poverty-reduction programs with environmental aspects. In January 2014, a group of underwriting investment banks developed a series of Green Bond Principles in order to help standardize green bonds in terms of uses of proceeds and transparency.[3]

Demand for green bonds is already outpacing supply, with many labeled green bond issuances being oversubscribed. Globally, $14 billion in green bonds were issued in 2013, and many firms predict rapid growth. Asset managers are responding to the surging demand for green bonds by developing dedicated green bond strategies. Among these, Calvert Investments' green bond mutual fund product and SSgA's "high quality strategy" have come to market. Additionally, two green bond indices have been launched, one from MSCI and Barclays, and one from Solactive.

While green bonds currently represent a very small fraction of the global bond market, they signify an important trend in sustainable investment as institutional investors seek more ways to invest in environmental themes across asset classes.

Product-Specific Criteria

A significant trend in ESG investing in 2014 is the growing attention by money managers to reducing their exposure to certain products and sectors. In 2012, product-specific investing affected the management of $290 billion in assets. By 2014, that number increased six-fold to $1.76 trillion in assets.

Both by number of investment vehicles and assets, **tobacco** and **alcohol** remain the most popular product-specific criteria incorporated by money managers. In 2012, 324 investment vehicles screened for tobacco and 267 for alcohol products; by 2014, these numbers had increased to 377 and 308, respectively.

However, a notable trend since 2012 is the increase in assets of investment vehicles taking **military or weapons** issues into consideration, largely in response to the December 2012 shooting at Sandy Hook Elementary School in Newtown, Connecticut. The Newtown tragedy raised conversations about gun control among communities and civic institutions across the country. As Chapter III discusses further, a number of public funds and institutional investors have reviewed their portfolios' weapons holdings and publically pledged to divest from any gun companies.

Considerations about civilian use of firearms have affected money managers as well.[4] By the beginning of 2014, 291 investment vehicles with nearly $590 billion in assets took military or weapons issues into consideration. This is nearly four times the $156 billion in assets screened for military or weapons in 2012. Some money managers responding to the US SIF Foundation's information request cited issues such as nuclear weapons and military contractors when they selected the weapons criterion, but many others explicitly mentioned civilian handguns as the leading concern for incorporating this investment consideration.

Fig. 2.9: Leading Product-Specific Criteria for Investment Vehicles 2014

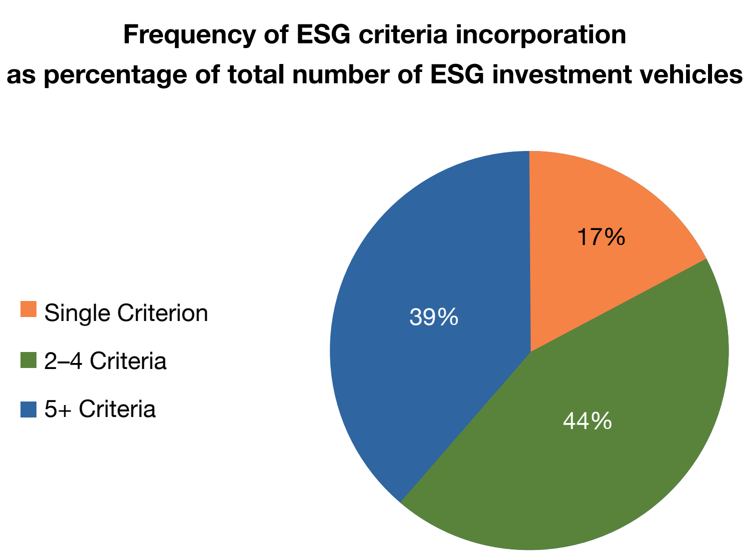
	Number	Assets (in Billions)
Tobacco	377	$1,468.2
Alcohol	308	$1,401.1
Military/Weapons	291	$587.7
Gambling	300	$302.2
Pornography	234	$234.5
Faith-based	169	$211.1
Nuclear	192	$150.8
Products - Other	115	$122.8
Product Safety	158	$73.7
Animal Testing/Welfare	130	$ 67.0
Products— General	14	$12.2

SOURCE: US SIF Foundation.

Frequency of ESG Incorporation

Some investment vehicles focus only on a single ESG issue. A number of money managers, for example, avoid investment in companies doing business in countries with genocidal or terrorist policies, and numerous venture capital funds and property/REIT funds focus on green building or clean technology. However, the vast majority (83 percent) of ESG investment vehicles tracked here incorporated two or more ESG considerations, as shown in Figure 2.10. Thirty-nine percent of investment vehicles incorporated five or more sustainable and responsible themes across their portfolios.

Fig. 2.10: Criteria Frequency in ESG Vehicles 2014



SOURCE: US SIF Foundation.
NOTE: Includes separate account vehicles.

ESG Incorporation Strategies

Of the more than 300 money managers included in this report, a subset of 137 money managers voluntarily disclosed additional information on their ESG incorporation strategies. These money managers provided details about the strategies they use to incorporate ESG criteria into their asset management, as shown in Figure 2.11.

One of this year's most significant trends was the increasing "integration" of ESG factors into investment decisions by money managers. **ESG integration** was reported by 67 money managers with $4.7 trillion in assets under management—almost half of all money managers who reported their incorporation strategies.

Despite the increase in ESG integration, the most commonly disclosed strategy of ESG investment—reported by 51 percent of this subset of money managers—remains **negative screening**, or avoidance techniques; however, the assets affected by exclusionary approaches amounted to less than those reported as affected by ESG integration ($4.4 trillion).

Also common is **positive investment**, or inclusionary techniques, reported by 46 percent of money managers, with significantly less assets under management: $343 billion. Positive investing may involve a best-in-class approach—an investment practice in which money managers select for investment companies that lead their industries in environmental, social or governance performance. For example, a best-in-class approach to the fossil fuel industry would look for industry leaders in sustainability reporting and alternative energy research and development, while an exclusionary approach might avoid investment in companies deriving the majority of their profits from coal, oil or gas extraction.

Fifty-two money managers, 38 percent of this subset, reported committing $29 billion to **impact investing**. Finally, 37 money managers, with $29 billion in assets, reported engaging in **sustainability-themed investing**, focusing on themes such as agriculture, energy, water or clean technology.

Fig. 2.11: ESG Incorporation Strategies by Money Managers 2014

	Money Managers	Reporting	(in Billions)
Negative/exclusionary: the exclusion from a fund or plan of certain sectors or companies based on specific ESG criteria	70	51%	$4,441
ESG integration: the systematic and explicit inclusion by investment managers of ESG risks and opportunities into traditional financial analysis	67	49%	$4,739
Positive/best-in-class: investment in sectors, companies or projects selected for positive ESG performance relative to industry peers	63	46%	$343
Impact investing: targeted investments, typically made in private markets, aimed at solving social or environmental problems	52	38%	$29
Sustainability themed investing: the selection of assets specifically related to sustainability in single- or multi-themed funds	37	27%	$29
TOTAL RESPONDING	**137**		

SOURCE: US SIF Foundation.
NOTE: Some managers disclosed using multiple strategies within funds, so affected assets may overlap and percentages do not sum. Managers of community development loan funds who responded voluntarily to these questions are also included.

IMPACT INVESTING

For the 2014 survey, the US SIF Foundation asked participating institutions for the first time to specify the percentage of assets under management involved in strategies of impact investing.

"Impact investing"—targeted investments, typically made in private markets, aimed at solving social or environmental problems—has continued to be a vibrant segment of the broader sustainable and responsible investing universe. As part of this Trends report, 86 domestic asset managers and institutional investors identified themselves as using strategies of impact investing at the beginning of 2014, affecting $36.8 billion in combined assets under management.

More than half—52 percent—were money managers, deploying $29 billion in impact investing strategies. Philanthropic foundations were the most commonly identified asset-owning impact investors—18 percent of the sample—although faith-based investors managed a higher level of assets using impact investing strategies: $1.3 billion versus $795 million by foundations. Educational institutions, family offices, healthcare institutions, public funds and other nonprofit organizations were among the other kinds of institutional investors that identified themselves as using impact investing strategies in more limited ways.

Although the terminology of "impact investing" is relatively new, the practice is not. Numerous sustainable and responsible investors have long pursued social and environmental outcomes across asset classes by investing proactively in areas such as microfinance, sustainable community development, clean technology and other environmental solutions. Even listed equity investors have pursued social and environmental impact, often by engaging with publicly traded companies in a variety of ways.

Indeed, most investors identified in our research engaged in impact investing alongside other strategies of ESG incorporation; only 36 percent described themselves as engaging exclusively in impact investing. Of the $36.8 billion in impact investing assets, $12.2 billion is managed by investors engaged exclusively in impact investing. The remaining $24.6 billion is managed by investors that practice impact investing among other SRI strategies.

Motivations for ESG Incorporation

Of the money managers included in this report, a subset of 119 money managers voluntarily responded to a question on the reasons why they incorporate ESG criteria into their investment decisions. Of those money managers, the largest majority—80 percent—reported meeting client demand as a motivation for engaging in ESG investing. Seventy-seven percent reported the desire to fulfill mission or values as a motivation, and 76 percent reported that they consider ESG criteria to improve returns over time. Only 28 percent of these managers reported regulatory or legislative requirements as among their motivations.

Fig. 2.12: Reasons Managers Report Incorporating ESG Factors

Reason	Total	% of Managers Responding
Client Demand	95	80%
Mission	92	77%
Returns	90	76%
Risk Management	87	73%
Social Benefit	82	69%
Fiduciary Duty	74	62%
Regulatory Compliance	33	28%
Total Responding	**119**	

SOURCE: US SIF Foundation.
NOTE: Managers of community development loan funds who responded to these questions are also included. Respondents could choose multiple reasons, so counts and percentages do not sum.

ESG Incorporation by Types of Investment Vehicles

Registered Investment Companies

The US Securities and Exchange Commission (SEC) regulates certain types of investment vehicles as "registered investment companies"—specifically, mutual funds, variable annuity funds, exchange-traded funds and closed-end funds.

MUTUAL FUNDS are a type of investment vehicle that pools money from many different investors, including both retail and institutional investors, and invests in a set of stocks, bonds or other securities. Legally, these are known as "open-end funds;" unlike closed-end funds, mutual funds have an unlimited number of investors: there is no cap on the number of shares that can be bought.

Investors buy their shares in a mutual fund from the fund itself (or a broker for the fund), instead of from another investor on the open market. These shares are then redeemable: investors can sell their shares back to the fund (or its broker) in exchange for their value. The price of the mutual fund is set at the end of each day based on the value of the companies in the fund.

Mutual funds are available to retail investors, but often also have an institutional share class with a higher minimum investment. Retail investors can invest in mutual funds through their retirement plans or directly purchase shares from the fund or through a broker for the fund.

Among registered investment companies, mutual funds account for the majority of funds considering ESG criteria. At the outset of 2014, 415 mutual funds with $1.68 trillion in assets under management were subject to some form of ESG criteria – a nearly four-fold increase in assets over the 2012 figures. This increase in assets can be largely attributed to several prominent mutual fund companies integrating ESG factors much more broadly across their funds, often as an extension of their commitment to the Principles for Responsible Investment.

As shown in Figure 2.13, a total of 177 mutual funds took environmental criteria into account, 381 took social issues into consideration, 255 considered issues of corporate governance and 204 took specific product issues into account.

VARIABLE ANNUITY FUNDS, a subset of mutual funds, are investment contracts sold through an insurance company. They are used for long-term savings, usually for retirement. Individual investors buy into a variable annuity through an insurance company, which then invests in a number of mutual funds on behalf of the investor.

Figure 2.14 highlights that both the number of variable annuity funds incorporating sustainable and responsible investing criteria and the assets under management in these funds have increased, though not as substantially as other mutual funds. In 2012, 31 variable annuity funds managed $185 billion in ESG assets. In 2014, 41 variable annuity funds managed $250 billion in ESG assets.

Some money managers, including TIAA-CREF, the Variable Annuity Life Insurance Company (VALIC) and Calvert, offer a number of variable annuity funds invested in accordance with sustainable and impact investment criteria. Other money managers offer one responsible fund among a suite of other annuity funds—such as the Wilshire VIT Socially Responsible Fund, the Legg Mason Investment Counsel Variable Social Awareness Portfolio, and the Dreyfus Socially Responsible Growth Fund.

As part of this chapter's analysis of ESG incorporation trends, variable annuity products are included within the category of "mutual funds."

Fig. 2.13: ESG Categories Incorporated by Mutual Funds 2014		
	Nunber	Assets (in Billions)
Environment	177	$1,202.2
Social	381	$1,873.7
Governance	255	$1,589.1
Products	204	$1,192.5

SOURCE: US SIF Foundation.
NOTE: Analysis based on assets of mutual funds, including those underlying variable annuity products.

As Figure 2.14 demonstrates, the number of mutual funds incorporating ESG criteria has steadily increased since the beginning of the twenty-first century. In 2012, 333 mutual funds with $641 billion in assets under management considered ESG criteria. By 2014, this tally had increased to 456 mutual funds with $1.9 trillion in combined assets under management. According to the Investment Company Institute's *2014 Investment Company Fact Book*, there were 7,707 US-based mutual funds with $15.02 trillion in assets at the beginning of 2014.[5] Thus, this group of SRI mutual funds constitutes 6 percent of the total number, and 13 percent of the total assets, of all US-based mutual funds.

Fig. 2.14: ESG Mutual Funds 2001–2014

(In Billions)	2001		2003		2005		2007		2010		2012		2014	
	Assets	#	Assets	#	Assets	#	Assets	#	Assets	#	Assets	#	Assets	#
Mutual Funds (ex-Variable Annuity)	$111	154	$127	178	$148	151	$159	154	$139	223	$456	302	$1,675	415
Variable Annuities	$7	13	$2	11	$11	22	$12	19	$177	27	$185	31	$250	41
Total Mutual Funds	**$118**	**167**	**$129**	**189**	**$159**	**173**	**$172**	**173**	**$316**	**250**	**$641**	**333**	**$1,925**	**456**

SOURCE: US SIF Foundation.

As Figure 2.15 highlights, a large proportion of the assets of mutual funds included here are subject to unspecified general environmental, social or governance criteria. More than 210 funds with over $1.5 trillion in assets under management take general corporate governance issues into concern, without identifying specific governance criteria. Smaller numbers of funds, ranging from 70 to 75 in number and with more than $1.1 trillion in combined assets, say they take environmental or social issues into consideration, without specifying further what particular factors are applied to portfolio analysis.

The largest number of mutual funds, however, reported very specific social investment criteria: namely, country-specific investment criteria related to businesses operating in the **Sudan**. Sudan-related investment policies affected 255 funds with $1.38 trillion in assets under management at the beginning of 2014. Institutional investors and financial institutions alike have faced pressure from stakeholders such as Investors Against Genocide and the EIRIS Conflict Risk Network to divest from companies doing business with the Sudanese government over its genocidal actions against its people in the Darfur region and other other parts of the country. However, South Sudanese independence in July 2011 may have prompted mutual fund managers to reconsider their Sudan-related investment criteria. The 255 mutual funds subject to Sudan-related criteria represent a slight decrease from the 282 mutual funds that screened for Sudan-related investments in 2012.

Based on the number of funds involved, restrictions on holdings in **tobacco** and **alcohol** also remain important product-specific criteria. At the beginning of 2014, 184 mutual funds managing $477 billion in assets (up from 167 mutual funds managing $135 billion in assets in 2012) screened for tobacco, and 154 funds managing $410 billion (up from 141 mutual funds managing $132 billion in assets in 2012) screened for alcohol. For example, two of the mutual funds in the Capital Group's family of American Funds, some of the largest mutual funds in the United States, screen out "companies that derive the majority of their revenues from tobacco and/or alcohol."

Additional criteria taken into consideration in 2014 by many mutual funds include gambling (143 funds), military contractors or weapons companies (104 funds) and labor issues (99 funds).

A significant new trend in 2014 is the increasing number of mutual funds divesting from fossil fuel companies. The research team identified 25 mutual funds with policies related to fossil fuel companies, managed by 12 different money managers. Some of these funds, including the New Alternatives Fund, the Appleseed Fund, and a number of mutual funds managed by Pax World and Domini Social Investments, target specific sectors of the fossil fuel industry for exclusion, like coal or tar sands, or strive for partial fossil fuel avoidance.[6] However, an increasing number of funds describe themselves as entirely fossil fuel free, including Walden Small Cap Innovations Fund, Portfolio 21 Global Equity Fund, Green Century Balanced Fund and Equity Fund, Shelton Green Alpha Fund and Pax World Global Environmental Markets Fund and Growth Fund.

Fig. 2.15: Leading ESG Criteria for Mutual Funds 2014

	Number	Assets (in Billions)
Governance—General	211	$1,555.1
Sudan	255	$1,375.5
Social—General	70	$1,133.0
Environmental—General	75	$1,127.4
Military/Weapons	104	$588.1
Tobacco	184	$477.2
Alcohol	154	$410.2
Human Rights	93	$363.9
Labor	99	$340.0
Gambling	143	$302.5
Climate Change/Carbon	84	$275.6

SOURCE: US SIF Foundation.
NOTE: Analysis based on assets of mutual funds, including those underlying variable annuity products.

EXCHANGE-TRADED FUNDS (ETFS) are a type of security intended to track a market index. They are legally distinct from mutual funds because they are traded each day on the stock market, and their values fluctuate intra-day. Both retail and institutional investors can buy and sell shares of an ETF through a broker.

The first sustainability-themed ETFs launched in 2005. US SIF Foundation first included ETFs in its research in 2007, identifying only eight ESG-themed ETFs with $2.25 billion in total net assets.

At the outset of 2014, 20 ETFs with $3.5 billion in total net assets incorporated environmental, social and governance criteria. According to the Investment Company Institute, there were 1,294 ETFs with nearly $1.7 trillion in assets in the US exchange-traded funds market at the beginning of 2014. Based on this number, ETFs considering ESG criteria make up less than 1.5 percent of the total count, and 0.2 percent of the total net assets, of all US-registered ETFs.[7]

The most popular theme for these ETFs was environmental, with 16 funds utilizing some environmental investing criteria. Most funds track clean energy or clean technology markets. For example, BlackRock, Invesco PowerShares and First Trust Advisors each offer ETFs that track clean energy. Van Eck, Guggenheim and Claymore each offer solar energy ETFs. However, not all sustainable ETFs focus exclusively on environmental issues; other ETFs track more broad-based ESG indices, such as the MSCI KLD 400 Social Index or the MSCI EAFE ESG Index.

Most of the sustainable and responsible ETFs belong to the iShares series offered by BlackRock, the PowerShares series offered by Invesco PowerShares, and the Market Vectors series from Van Eck Global.

Fig. 2.16: Leading ESG Criteria for Exchange-Traded Funds 2014

	Number	Assets (in Billions)
Sustainable Natural Resources	16	$2.76
Clean Technology	12	$0.94
Environment—General	1	$0.43
Pollution/Toxics	4	$0.35
Green Building	3	$0.06
Climate Change/Carbon	2	$0.05
Community Relations/Philanthropy	1	$0.04
Fair Consumer Lending	1	$0.04
Board Issues	1	$0.04
Executive Pay	1	$0.04

SOURCE: US SIF Foundation.

CLOSED-END FUNDS are a type of mutual fund that generates a fixed number of shares, either listed on a stock exchange or traded on a secondary market. The assets can be invested in stocks, bonds or other securities, and the portfolios are managed in accordance with the fund's investment policies and objectives.

In 2014, four closed-end funds with $7.3 billion in assets under management incorporated ESG criteria. These assets account for 2.6 percent of the entire closed-end fund market, as reported by the Investment Company Institute.[8]

Fig. 2.17: ESG Categories Incorporated by Closed-End Funds 2014

	Number	Assets (in Billions)
Environment	4	$7.3
Social	3	$0.7
Governance	2	$0.7

SOURCE: US SIF Foundation.

Alternative Investment Vehicles

ESG alternative investment vehicles, which are unregistered and available only to accredited investors, include social venture capital funds, double- and triple-bottom-line private equity funds, hedge funds and property funds. They are typically organized either as limited partnerships or limited liability corporations. At the start of 2014, $224 billion in capital was identified under the management of 336 alternative investment vehicles. Due to the opaque nature of the alternative investment space, this figure is likely to be a conservative estimate of ESG alternative investment vehicles.

Alternative investments continue to increase within the sustainable investing space, although their rate of growth has slowed compared to previous years. Their assets have increased by nearly 50 percent in the past two years. Among alternative investment vehicles, the greatest increase has been within venture capital and private equity, where assets have more than doubled since 2012.

Fig. 2.18: Alternative Investment Funds Incorporating ESG Criteria 2014

	Number	Assets (in Billions)
VC/Private Equity	212	$135.4
Property/REIT	88	$85.1
Hedge Funds	36	$3.4
Total	336	$224.0

SOURCE: US SIF Foundation.

The most prevalent ESG factors incorporated into the management of alternative investments continues to be related to the environment, affecting 267 funds with $191 billion in assets, as shown in Fig 2.19. Clean technology, natural resources and sustainable agriculture, green building and smart growth, as well as climate change are the most commonly incorporated environmental investing criteria, each affecting more than 80 distinct alternative investment funds. Venture capital and private equity funds had the most assets devoted to the incorporation of environmental criteria, with a total of $158 billion.

Fig. 2.19: ESG Categories Incorporated by Alternative Investment Vehicles 2014

	Number	Assets (in Billions)
Environment	267	$190.6
Social	161	$169.4
Governance	71	$122.7
Products	27	$26.8

SOURCE: US SIF Foundation.

PRIVATE EQUITY AND VENTURE CAPITAL FUNDS include investment in private unlisted companies at various stages of their development. As opposed to public equity funds, investors in private equity provide capital and work with investees to grow their businesses and create value, in exchange for more control and access to better information.[9] Venture capital investments are often thought of as a subset of private equity, the distinguishing features being smaller initial investments, higher risks and a tendency to invest in start-up stage enterprises. Private equity investments generally target the later stages, from mezzanine financing for more established companies to leveraged buy-outs of companies during a turnaround phase. Community development venture capital (CDVC) and many self-described impact investment vehicles are forms of venture capital and private equity.

Private equity is a major source of growth within the universe of investment vehicles that incorporate ESG issues into portfolio management, often on very highly targeted themes such as clean technology, social enterprise or high quality job creation. Numerous prominent private equity firms, including many members of the Private Equity Growth Capital Council, have adopted guidelines related to the environment, health, safety, labor and governance.[10]

This report measures sustainable and impact trends in private equity through the activities of funds or "funds of funds," which pool assets from multiple investors and facilitate greater diversification than direct private investments by individual investors. Long-standing private equity investment by "patient capitalists" and "double-bottom-line" angel investors has expanded in recent years thanks to the entry of increasing numbers of mission-related and impact investors as well as more mainstream Silicon Valley venture capitalists and New York leveraged buyout specialists. The Principles for Responsible Investment and the Global Impact Investing Network have been important forums for institutional investors in private equity. High-net-worth angel investors continue to identify private investment opportunities through networks such as Investors' Circle and Toniic.

At the beginning of 2014, venture capital and private equity funds incorporating ESG criteria numbered 212 with $135 billion in assets under management.

Fig. 2.20: Leading ESG Criteria for Private Equity and Venture Capital Funds 2014

	Number	Assets (in Billions)
Environmental—General	43	$90.6
Social—General	39	$89.7
Governance—General	37	$89.0
Gambling	11	$25.5
Pornography	10	$25.5
Animal Testing/Welfare	9	$25.4
Clean Technology	130	$21.6
Alcohol	10	$19.3
Tobacco	10	$19.3
Military/Weapons	9	$19.3
Climate Change/Carbon	45	$16.1

SOURCE: US SIF Foundation.

RESPONSIBLE PROPERTY FUNDS are the second largest alternative investment vehicle tracked in this report, both in number of funds and in total assets under management. This category includes direct investments in "hard assets," such as residential property, commercial development, farms or timberland, as well as more indirect property-related investments such as Mortgage-Backed Securities (MBS), structured financial products derived from MBS and equity portfolios managed through Real Estate Investment Trusts (REITs). In 2014, there were 88 property funds managing $85 billion in assets that were invested in themes including green building and smart growth, climate change and sustainable community development.

Fig. 2.21: Leading ESG Criteria for Property Funds 2014		
	Number	Assets (in Billions)
Green Building	53	$53.74
Climate Change/Carbon	28	$46.21
Community Relations/Philanthropy	28	$41.43
Pollution/Toxics	10	$16.70
Board Issues	4	$14.92
Environmental—General	3	$12.54
Governance—General	3	$11.87
Social—General	2	$11.82
Sustainable Natural Resources	19	$10.73
Clean Technology	1	$5.57

SOURCE: US SIF Foundation.

HEDGE FUNDS are lightly regulated private investment vehicles that pool capital to invest often in publicly listed securities and derivatives instruments. Hedge funds are only available to accredited institutional investors and high-net-worth individuals, which means that they are treated as alternative investments even when the underlying securities in which they invest draw from conventional asset classes, such as public equities or fixed income.

Sustainable hedge funds remain the smallest of the alternative investment vehicles within the ESG investment universe, with 36 funds managing $3.4 billion in assets. The majority of this capital is deployed within general environmental, social and governance themes.

Fig. 2.22: Leading ESG Criteria for Hedge Funds 2014		
	Number	Assets (in Billions)
Governance—General	7	$2.01
Social—General	5	$1.21
Environment—General	7	$1.06
Alcohol	9	$0.62
Tobacco	9	$0.62
Clean Technology	11	$0.50
Board Issues	3	$0.46
Green Building	9	$0.44
Sustainable Natural Resources	10	$0.42
Climate Change/Carbon	8	$0.38
Pollution/Toxics	7	$0.38

SOURCE: US SIF Foundation.

Other Investment Vehicles

SEPARATE ACCOUNTS are investment products that are privately managed for clients. Securities are owned by individual clients as opposed to mutual funds, where fund shareholders only indirectly own the underlying holdings. Investment decisions can vary from one separate account to the next, and are often tailored to clients' requirements and interests. Some separate accounts are pooled with other client assets and invested together, though not as investment companies, partnerships or corporations. Managers included in this report managed 214 separate account portfolios incorporating ESG factors, with $433 billion in assets.

Fig. 2.23: ESG Categories Incorporated by Separate Accounts and Other Pooled Products 2014				
	Other Pooled Products, Not Listed		Separate Accounts	
	Number	Assets (in Billions)	Number	Assets (in Billions)
Environment	65	$1,296.7	139	$236.1
Social	67	$1,849.4	158	$380.2
Governance	57	$1,631.7	115	$182.7
Products	39	$277.6	174	$263.0

SOURCE: US SIF Foundation.

OTHER POOLED PRODUCTS include other kinds of investment pools that have been aggregated for the purposes of investing and do not fit into any other category used in this report. This miscellaneous category includes funds such as privately managed nonprofit trusts, commingled funds, collective investment trusts and other pooled investment vehicles, generally managed for specific types of institutional investors, such as religious organizations, Taft-Hartley pension plans or other labor union funds. Managers reported 109 "other pooled products" with $2.15 trillion in assets incorporating environmental, social or governance factors at the close of 2013.

Fig. 2.24: Leading ESG Criteria for Separate Accounts and Other Pooled Products 2014		
	Number	Assets (in Billions)
Sudan	111	$647.04
Military/Weapons	176	$510.61
Human Rights	154	$307.23
Tobacco	174	$262.92
Alcohol	135	$206.63
Gambling	138	$202.94
Faith-based	74	$185.80
Climate Change/Carbon	156	$175.03
Board Issues	147	$162.24
Pollution/Toxics	157	$161.81
Pornography	103	$161.80

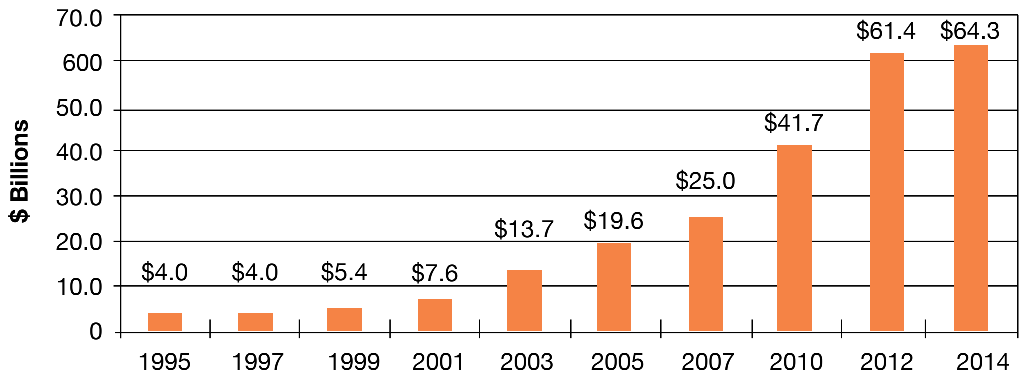
SOURCE: US SIF Foundation.

Community Investing

Community investing, a longstanding form of sustainable and impact investing, directs capital through community development financial institutions and other investment intermediaries to communities and individuals that are underserved by conventional financial services. In the United States, community investing institutions typically provide access to affordable and responsible credit, equity, capital, housing, community facilities, and basic banking products for individuals and businesses. Overseas, capital is most often provided via microfinance lending to individual entrepreneurs and small businesses. A limited number of these microfinance institutions also offer depository services.

In addition to providing much needed capital for underserved communities in cities, rural areas or on Indian reservations, many community investing institutions provide other important services, such as financial education, mentoring and technical support. They also provide alternatives to the predatory

Fig. 2.25: Community Investing Growth 1995–2014



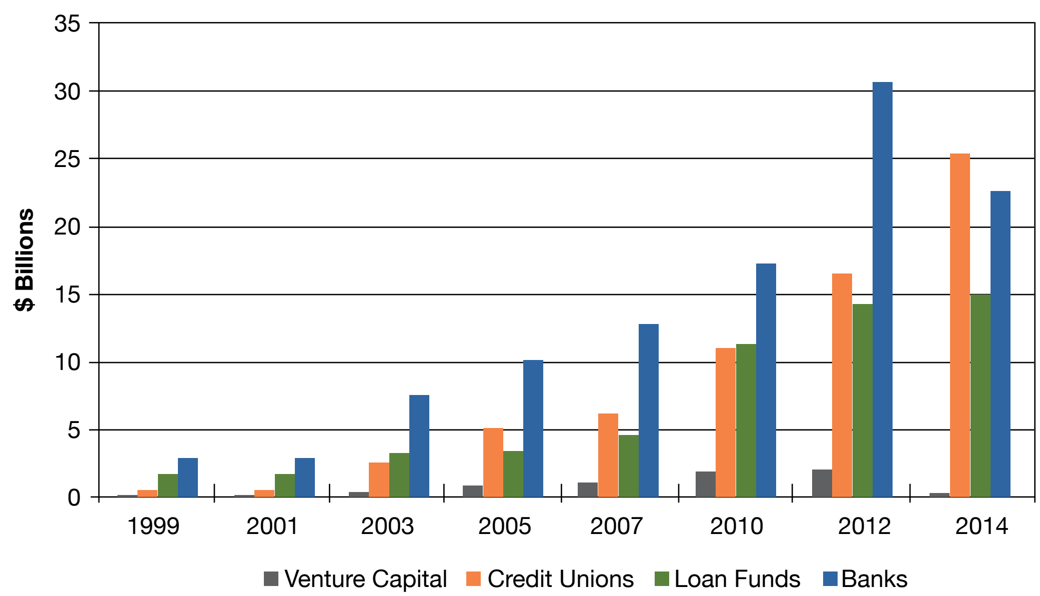
SOURCE: Calvert Foundation, CDFI Fund, CDVCA, National Community Investment Fund, National Federation of Community Development Credit Unions, Opportunity Finance Network, US SIF Foundation.

lenders that often thrive in low-income areas, through special products and prevention programs that helps consumers avoid these abusive lending practices.

Like the rest of the sustainable and impact investing industry, community investing has experienced dramatic growth over the last decade, though the rate of increase has slowed since 2012 with the field's increasing maturation. From 2010 through 2012, sector assets increased 47 percent during a period when a "Move Your Money" campaign encouraged numerous investors to shift their depository accounts from "too big to fail" banks to smaller, local, community-based financial institutions. From 2012 through 2014, sector assets increased approximately 5 percent, to a total of $64.3 billion.

Key Community Development Institutions

Fig 2.26: Community Investing Growth by Sector 1999–2014



SOURCE: Calvert Foundation, CDFI Fund, National Community Investment Fund, National Federation of Community Development Credit Unions
NOTES: 1. Historical Community Development Venture Capital growth, as presented here, is measured using data from the CDVCA in commitments of capital rather than as portfolio assets under management; elsewhere, portfolio assets of CDVC funds are measured. 2. At the start of 2014, included credit unions held more assets then banks because of a temporary drop in the number of CDFI banks.

COMMUNITY DEVELOPMENT BANKS are regulated banking institutions that operate much like their conventional counterparts, but focus their lending on lower-income communities. They typically offer services available at conventional banks to both individual and business customers, including federally insured savings, checking, certificates of deposit, money market and individual retirement accounts.

According to the National Community Investment Fund (NCIF), 75 community development banks, certified as CDFIs, held assets of $23.2 billion at the beginning of 2014, down from the $30.1 billion held at 88 such banks in 2012. A new wave of CDFI certifications in early 2014 has subsequently increased the total number of community development banks to 99 with $28.9 billion in assets as of March 31, 2014, with much of the growth numbers and assets in the southern United States.

Fig. 2.27: Community Investing Institution Assets 2014

	Number	Assets (in Billions)
Community Development Banks	75	$23.2
Community Development Credit Union	260	$26.1
Community Development Loan Funds	532	$14.9
Community Development Venture Capital	13	$0.2
Total	**880**	**$64.3**

SOURCE: NCIF; NFCDCU; CDFI Fund; OFN; US SIF Foundation.
NOTE: Only the assets of venture capital funds that are certified CDFIs are included in this table. Loan funds include US-based international microfinance vehicles. Credit unions include all members of the National Federation of CDCUs as well as credit unions certified as CDFIs.

COMMUNITY DEVELOPMENT CREDIT UNIONS (CDCUS) are regulated depository institutions that are member-owned and cooperatively controlled. CDCUs offer federally insured accounts and other financial services offered by conventional credit unions, but are mission-driven to responsibly serve low-income and other underserved communities. According to the National Federation of Community Development Credit Unions (NFCDCU), there were 260 community development credit unions with $26.1 billion in combined assets as of the start of 2014, making last year the first time that CDCUs made up the largest portion of assets among the different kinds of community investing institutions.

While the number of CDCUs decreased by nearly 30 percent over the two-year period, total assets grew by over 50 percent. The NFCDCU points to three factors to account for these trends: the consolidation of small institutions after the financial crisis; the growth of the average size of CDCUs as larger credit unions joined the NFCDCU or became CDFIs; and a change in the CDFI certification process in 2013 that caused many institutions temporarily to lose their certifications, lowering the total number of institutions, even as the nature of their business stayed the same. Since January, many of these institutions have recertified, and the number of CDFI-certified credit unions has begun to increase again.

COMMUNITY DEVELOPMENT LOAN FUNDS (CDLFS) pool investments from individuals and institutions to further community development, often in specific geographic regions. While CDLFs are not federally insured, they take many steps to safeguard investor money including using collateralized loans, setting aside loan loss reserves, and pledging the institution's or fund's net worth to protect against investor losses. International loan funds, which represent a subset of CDLFs for the purposes of this report, focus their lending and equity investments overseas, typically providing or guaranteeing small microfinance loans to entrepreneurs and small businesses.

At the start of 2014, $14.9 billion was invested in 532 community development loan funds based in the United States. According to data provided by Calvert Foundation, $2.9 billion was invested in loan funds managed by US-based international microfinance organizations, while $11.9 billion was in domestic loan funds.

THE RISE OF CROWDFUNDING INVESTMENT

With origins in the microfinance movement, crowdfunding has risen in popularity as a tool to fund start-up projects and small businesses by pooling small monetary contributions from many individuals, typically through online platforms and social media. There are several variations of crowdfunding. Donation- and rewards-based crowdfunding models, the most well-known, allow individuals to donate money to campaigns, often in exchange for a reward. Popular platforms, such as Kickstarter and Indiegogo, began by funding music and art, but have greatly expanded and now fund many social and environmental enterprises. A second type is crowdfunded interest-free loans, facilitated by platforms such as Kiva Zip and Community Sourced Capital, which allow US-based entrepreneurs with limited access to credit to fundraise for loans.

Due to the Securities and Exchange Commission's investor protection rules, crowdfunding that raises funds in exchange for interest or equity in a company, through loan crowdfunding platforms such as Dealstruck and equity crowdfunding portals such as AngelList, is currently only available to institutional or accredited investors. Recently, Title II of the national JOBS Act of 2012 allowed entrepreneurs to publicly advertise to accredited investors. However, entrepreneurs and investors are still awaiting finalized rules from the SEC on Title III of the Act, which would allow non-accredited investors to receive equity in exchange for their small-scale funding of entrepreneurial ventures.

The growth of online crowdfunding took off in 2008, when credit was limited during the economic downturn. Massolution's 2013 *Crowdfunding Industry Report* found that crowdfunding platforms worldwide raised $2.7 billion in 2012, and were projected to reach over $5.1 billion in 2013. Between 2011 and 2012, according to Massolution, the North American volume of all crowdfunding grew 105 percent to reach $1.6 billion. Additionally, according to the equity crowdfunding information engine FundWisdom, investment through equity crowdfunding platforms was valued at $204 million in 2013, and it is forecast to more than triple to $700 million in 2014. In the meantime, over a dozen states have begun passing bills on intrastate equity crowdfunding, which typically allow companies to crowdfund up to $2 million through individual investments of up to $5,000.

ESG investors can get involved in crowdfunding through platforms such as Calvert Foundation's new online community investment portal Vested.org, Solar Mosaic's platform for solar energy investments and Impact Assets' donor-advised Giving Fund for charitable investments. Crowdfunding has been shown to increase funding to women- and minority-owned businesses, which are less likely to receive traditional financing. The World Bank is promoting crowdfunding to the developing world as a way to leapfrog the traditional capital market structures and financial regulatory schemes of developed countries to finance new businesses that could tackle pressing social and environmental problems. Equity crowdfunding in particular provides a way for entrepreneurs to raise capital from a community of investors who care as much about social purpose as financial returns.

COMMUNITY DEVELOPMENT VENTURE CAPITAL (CDVC) is a form of private equity investment targeted at financially underserved low- and moderate-income communities that seeks to generate good jobs, wealth and entrepreneurial capacity. As a form of private equity, community development venture capital funds are also analyzed as part of the alternative investment vehicles discussed above. However, prior to aggregation, the assets of these funds were controlled for any inflationary effects of double counting. Within this section, 13 CDVC funds with $207 million in assets under management were certified as CDFIs at the beginning of 2014.

Other Forms of Community-Related Investment

In addition to the four types of community investing institutions described above, community-related investing criteria and themes are considered across numerous investment vehicles and asset classes. As Figure 2.28 highlights, at least 290 other investment vehicles ranging from mutual funds to alternative investment vehicles, separate accounts and other pooled products, with nearly $155 billion in total assets, say they incorporate some form of community-related criteria. Mutual funds lead the way, managing $53 billion in assets reportedly incorporating some community investing concerns, such as community relations, philanthropy, and fair consumer lending. There were also $50.9 billion in assets in non-certified venture capital and private equity funds. For other types of pooled products, fair consumer lending was the leading community-related theme.

Fig. 2.28: Community-Related Investment in Non-CII Investment Vehicles 2014

	Mutual Funds		Alternatives		Other Pooled Products, Not Listed		Separate Accounts	
Community-related criteria	Funds	Assets (in Billions)	Funds	Assets (in Billions)	Funds	Assets (in Billions)	Funds	Assets (in Billions)
Affordable Housing	25	$14.23	14	$4.14	14	$1.29	43	$17.92
Community Relations/Philanthropy	66	$44.82	35	$42.81	14	$6.07	70	$21.19
Community Services	27	$17.06	22	$3.53	16	$1.87	45	$30.88
Fair Consumer Lending	42	$22.16	4	$0.20	15	$1.82	54	$33.07
Microenterprise	8	$4.94	19	$1.76	18	$1.77	22	$14.87
Small & Medium Businesses	23	$18.05	40	$3.74	10	$1.21	21	$12.52
Community—Other	13	$3.54	12	$2.29	2	$0.06	17	$23.41
Total	**83**	**$53.13**	**101**	**$50.92**	**29**	**$7.60**	**85**	**$41.59**

SOURCE: US SIF Foundation.
NOTE: Mutual funds include those underlying variable annuities. Alternatives include private equity and venture capital, hedge funds and property funds.

III. ESG Incorporation by Institutional Investors

Institutional asset owners across the United States now consider environmental, social or corporate governance (ESG) criteria in investment analysis and portfolio selection across aggregate assets under management of $4.04 trillion, a more than 60 percent increase over the assets affected by ESG criteria that the US SIF Foundation identified at the start of 2012. Reflecting the policies of the retirement systems of numerous US states and cities that restrict investment in companies doing business in Sudan, Iran or other repressive or terrorist regimes, these criteria, along with restrictions on investments in tobacco, affect the largest pools of institutional investor assets. The other top specific ESG factors in asset-weighted terms are executive pay, equal employment opportunity and diversity, and climate change and carbon emissions. Investment policies regarding military and weapons issues have dramatically increased in prominence—with affected assets growing more than four-fold to $355 billion at the beginning of 2014. Fossil fuel divestment is also now on the radar with a number of institutional investors winding down holdings in coal, tar sands and other fossil fuels.

Key Trends

- **Climate change and carbon emissions** are the leading specific environmental issue for institutional asset owners, who take this issue into account in portfolios totaling over half a trillion dollars ($551 billion). Climate change/carbon emissions rank among the top 10 ESG criteria for institutional investors as of the start of 2014.
- Other leading environmental issues considered by investors include **pollution and toxics** ($508 billion), **clean technology** ($503 billion) and **sustainable natural resources** ($380 billion).
- **Fossil fuel divestment**, tracked for the first time in 2014, accounted for $14 billion in institutional investor assets. This does not include the numerous institutional investor commitments to divest adopted or announced after the start of 2014.
- Institutional assets subject to investment criteria related to **equal employment opportunity and diversity** rose to $578 billion from $417 billion, ranking it in the top 10 of the issues tracked in the research process.
- Investment policies on **military and weapons** issues affect $355 billion in institutional investor assets, up over 380 percent from $74 billion in 2012. Military/weapons for the first time rank among the top 20 leading ESG issues.
- **"Place-based" investing** emerged as a new trend accounting for $87 billion in assets. This geographically targeted investment mostly involves public funds and foundations purposefully directing investments to the city or state in which they operate.
- Another emerging issue is restrictions on investing in **for-profit prisons**. A number of religious investors mentioned that they apply these restrictions to $48 billion in assets.
- **Executive pay** affects $699 billion in assets and is the top specific governance issue in asset-weighted terms, as it was in 2012. This issue has achieved more prominence for investors as a result of the Dodd-Frank Act's provisions on executive compensation and the anticipated SEC rules to implement them. **Board**-related issues are the second most common corporate governance issue, affecting $415 billion.

- In asset-weighted terms, criteria restricting investments in companies doing business with **Sudan** remain the top ESG factor institutions incorporate into their investments, continuing a trend first observed in 2010. Approximately $2.70 trillion in institutional investor assets were subject to Sudan policies at the beginning of 2014, up 66 percent from the $1.63 trillion identified at the start of 2012.
- Investment policies regarding **terrorist or repressive regimes** other than Sudan are the second most prominent ESG criteria in asset-weighted terms, affecting $2.60 trillion. Institutional investors primarily identified Burma, Cuba, Iran, North Korea, Syria and companies with a legacy related to the Holocaust in this category. Approximately $2.30 trillion in assets are subject to Iran-related criteria.
- **Tobacco**, a sustainable investment issue for many years, affects $929 billion in institutional investor capital.

Background

The combined assets of institutional investors that engage in either ESG incorporation or in filing shareholder resolutions on ESG issues amount to $4.35 trillion, or 66 percent of the total SRI assets of $6.57 trillion measured in this report.

This chapter focuses on institutional investors' incorporation of ESG criteria into asset management, as highlighted in the figure below. (See Chapter IV for more information on the institutional investors that have filed or co-filed shareholder resolutions on ESG issues since 2012.)

Fig. 3.0: 2014 Sustainable and Responsible Investing Assets

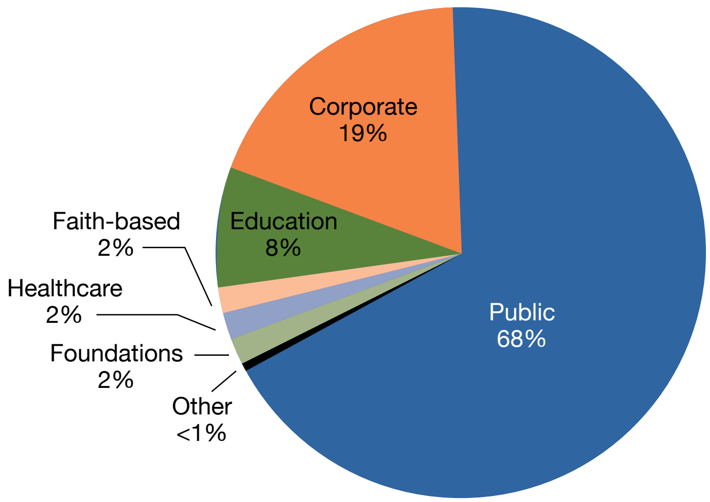
ESG Incorporation		
Money Managers and CIIs	$4,803.3	
Institutional Investors	$4,041.8	
Overlapping Assets	$(2,644.9)	
Subtotal		**$6,200.2**
Shareholder Advocacy		
Money Managers	$119.4	
Institutional Investors	$1,597.1	
Subtotal		**$1,716.5**
Overlapping Strategies		$(1,344.5)
TOTAL		**$6,572.2**

NOTE: ESG Incorporation includes community investing institutions (CIIs). All asset values are in billions.
SOURCE: US SIF Foundation.

Of the $6.20 trillion in total assets identified by the US SIF Foundation at the beginning of 2014 as subject to ESG criteria, $4.04 trillion is owned or administered by 480 US-based institutional investors. These institutions range widely across the US investor landscape, from large public employee retirement systems with hundreds of billions of dollars in assets to small private foundations with fewer than $25 million. They include corporate investment portfolios and defined benefit and defined contribution pension plans, state and municipal government pooled funds, state college and retirement savings plans, faith-based institutions, hospitals and healthcare plans, educational endowments, philanthropic foundations, family offices, labor union funds and Taft Hartley retirement plans, charities and other institutions. (See Figure 3.1.)

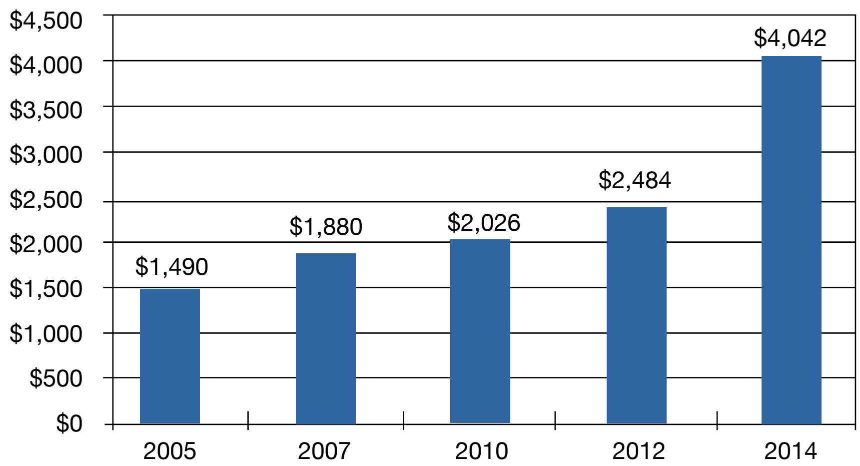
Institutional investor investments with ESG criteria have steadily risen in recent years (Figure 3.2). Between 2012 and 2014, ESG investments increased by more than 60 percent.

Fig. 3.1: Distribution of Institutional Investor ESG Assets 2014



SOURCE: US SIF Foundation.
NOTE: The other types of institutional investors (labor, family offices, nonprofit and others) collectively represent less than 1 percent of ESG Assets in 2014.

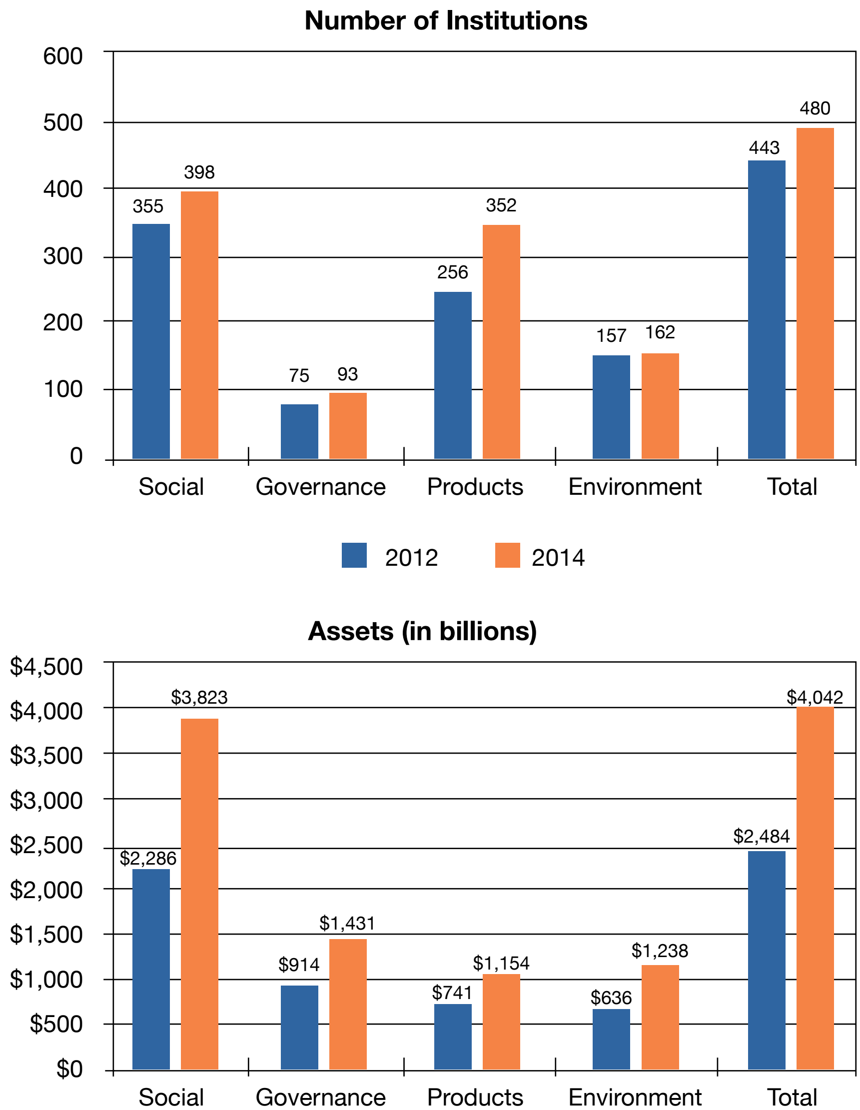
Fig. 3.2: Institutional Investor ESG Incorporation Assets 2005-2014



SOURCE: US SIF Foundation.
NOTE: Assets are expressed in billions.

As shown in Figure 3.3, the 480 institutional investors reflected in this chapter collectively apply various social criteria to assets totaling more than $3.8 trillion. Governance and environmental considerations affect a smaller tally of institutional investor assets, but still more than $1 trillion, as do restrictions on investment in various products of concern such as tobacco or weapons.

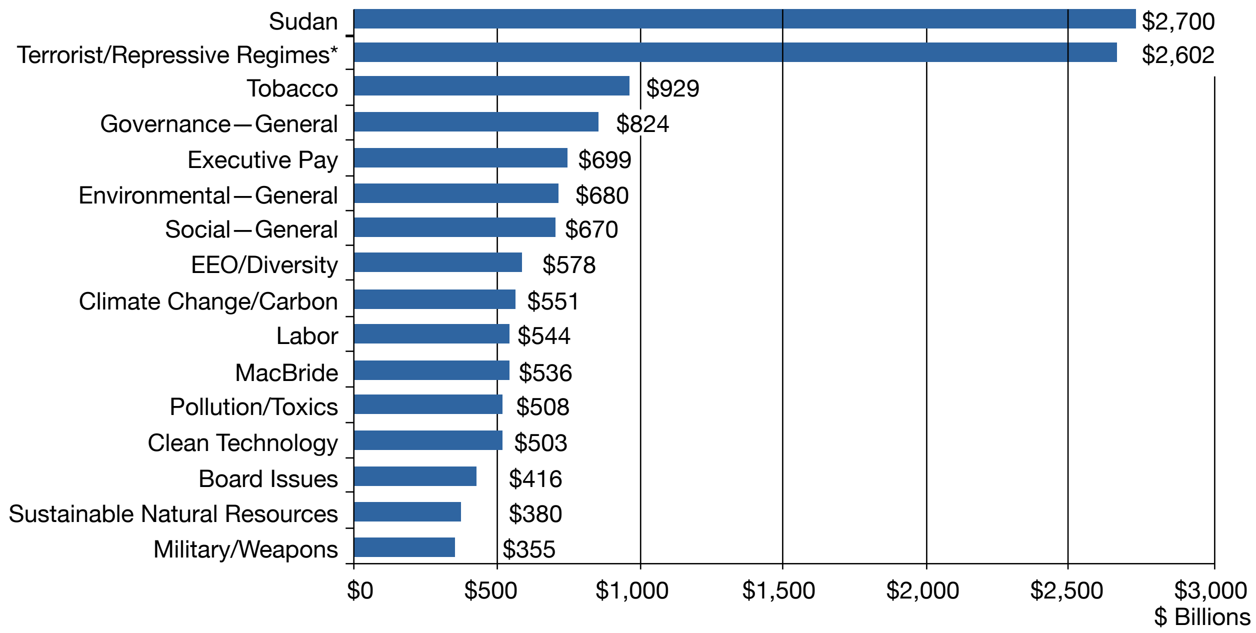
Fig. 3.3: ESG Categories Incorporated by Institutional Investors 2012–2014



SOURCE: US SIF Foundation.
NOTE: "Products" category of ESG criteria refers to investment restrictions on products considered harmful or detrimental.

In the 2014 survey, several institutional investors—including a major insurance company identified for the first time—reported that they have adopted strategies of "ESG integration" but without specifying which specific ESG issues they consider. These institutions are counted in the assets affected by "general" environmental, social, or governance issues shown in Figure 3.4.

Fig. 3.4: Leading ESG Criteria for Institutional Investors 2014



SOURCE: US SIF Foundation.
NOTE: Institutional investors reporting that they have adopted strategies of "ESG integration" but without specifying which specific ESG issues they consider account for the assets in the "General" environmental, social and governance categories.
* Refers to policies on terrorist or repressive regimes that are not specific to Sudan.

A Closer Look At Trends, Strategies And Motivations

Social Concerns

Concerns over social issues account for the largest share of ESG assets—$3.82 trillion at the beginning of 2014. This represents a 67 percent increase in assets from the beginning of 2012 when $2.29 trillion were identified. Investment policies related to Sudan affect $2.70 trillion, making it the single most prominent ESG criterion in asset-weighted terms, as it was in 2012. In 2014, the US SIF Foundation identified 250 institutions that applied Sudan criteria compared with 225 in 2012. Most of the assets affected by Sudan restrictions are held by public funds complying with legislation on this issue.

Sudan has had ongoing conflict for many years. In 2011, South Sudan split from the northern region ruled from Khartoum to become an independent country. The Sudanese government continues attacks and discriminates against its people in Blue Nile and South Kordofan, two states in Sudan that border South Sudan, and has blocked their access to humanitarian aid. The conflict in Darfur, in the western region of the country, also continues. According to the United Nations, half of the population in Darfur, over 3 million people, needs some kind of aid including food supplies.[1] Two initiatives, Investors Against Genocide and the EIRIS Conflict Risk Network, provide institutional investors and others with information and resources to avoid companies that financially prop up Sudan's government. These companies are primarily foreign-owned oil corporations that have contracts with the government.

Policies limiting or prohibiting investments in companies doing business with other **terrorist or repressive regimes** affect $2.60 trillion in assets. Of this, criteria related to Iran affect $2.30 trillion, compared with $1.24 trillion in 2012. At the start of 2014, some investors had started implementing investment policies regarding companies that directly or indirectly support the Syrian government. Institutional investors also identified Burma, Cuba, North Korea and companies with a legacy related to the Holocaust in this category.

After the issue of repressive regimes, the leading social criterion is **equal employment opportunity and diversity**, affecting $578 billion in assets, followed by **labor** with $544 billion. Institutional investors apply a wide range of approaches to the incorporation of labor issues, including consideration of companies' workplace health and safety protections, employee retention programs and union relations.

Investment criteria related to other **human rights** concerns—beyond the repressive regimes discussed above—affected $217 billion in institutional owner assets at the beginning of 2014.

Governance Issues

Institutional asset owners applied governance criteria to $1.43 trillion of investments at the beginning of 2014, compared with $914 billion at the start of 2012.

Several institutions indicated that they incorporate general governance criteria across $824 billion in assets, without specifying any particular corporate governance concerns.

For those institutional investors that did identify specific governance criteria that inform their investment policies and practices, **executive pay** tops the list in asset-weighted terms, affecting $699 billion in assets. (Institutional investors also use shareholder engagement and public policy advocacy to address executive pay issues, as discussed in the next chapter.)

Consideration of **board issues**, such as directors' independence, diversity and responsiveness to shareholders, affect $416 billion in assets, and policies assessing companies' oversight and disclosure of **political contributions** and lobbying, affect $220 billion. Investors concerned about the lack of disclosure and oversight of corporate political contributions and lobbying have become increasingly active in public policy advocacy and shareholder engagement activity, too.

Public funds account for the largest share of assets to which governance criteria are applied—$723 billion—while corporations apply such criteria to $640 billion. Faith funds subject $37 billion in assets to these issues, and the remaining institutional investor categories each account for much smaller amounts.

Environmental Issues

Environmental issues have gained increased attention among institutional investors. In 2014, the US SIF Foundation identified $1.24 trillion in assets associated with environmental criteria, almost double the $636 billion identified in 2012. Investment portfolios with one or more environment-related criteria are managed by 164 institutional investors.

As in 2012, criteria related to **climate change/carbon emissions** remain the most important specific environmental issue in asset-weighted terms, affecting $551 billion. Public fund assets comprise the majority of assets subject to such criteria—over $513 billion—with faith-based institutions a distant second with $36 billion. (Institutional concerns about climate change and climate risk also drove significant shareholder engagement activity in 2013 and 2014, as discussed in the next chapter.)

Criteria related to **pollution and toxics** are the second most common environmental issue, affecting $508 billion, up 29 percent since 2012. **Clean technology** investments increased to $503 billion from $396 billion. Other leading environmental criteria include **sustainable natural resources and agriculture** ($380 billion) and **green building** ($348 billion).

For the first time, the US SIF Foundation tracked institutional investors that divested from **fossil fuels** in one form or another, such as divesting from the largest fossil fuel corporations in terms of proven carbon reserves or withdrawing investments from specific fossil fuels, such as coal or tar sands. At the outset of 2014, institutional investors had adopted fossil fuel restriction or divestment policies that apply to nearly

FOSSIL FUEL DIVESTMENT INITIATIVES

Fossil fuel divestment is a rapidly growing trend in sustainable and responsible investing. At the start of 2014, 47 money managers had $27 billion in 88 funds with a fossil fuel screen, and 34 institutional investors had adopted fossil fuel restrictions affecting $13.5 billion in assets.

Many of these institutions and money managers have been influenced by the research of the Carbon Tracker Initiative, a group of financial analysts based in London, which was highlighted in environmentalist Bill McKibben's influential 2012 Rolling Stone article, "Global Warming's Terrifying New Math." A 2012 Carbon Tracker Initiative report, *Unburnable Carbon*, noted the scientific consensus that the world's human population must add no more than about 565 gigatons of carbon dioxide to the Earth's atmosphere to prevent average global temperatures from rising beyond 2 degrees Celsius above pre-industrial levels. However, the report's authors pointed out, the world's major coal, oil and gas companies have reserves sufficient to put another 2,795 gigatons into the atmosphere, which would unleash catastrophic climate change.

Since the end of 2013, fossil fuel divestment efforts have gained momentum. The first half of 2014 was a turning point. In May, Stanford University announced that it would be divesting its $18.7 billion endowment of its direct holdings in the 100 biggest coal companies and recommended that its external investment managers avoid such companies. Several religious organizations followed soon after, including the World Council of Churches and the Unitarian Universalists. Additionally, the Divest/Invest Philanthropy Initiative, composed of nearly 70 foundations with combined assets of $4.1 billion, was launched in early 2014. This group has committed to divesting from fossil fuels. In September 2014, the Rockefeller Brothers Fund, which was built on the fortune of John D. Rockefeller's Standard Oil Company, announced in advance of the United Nations Climate Summit that month its plans to divest its $860 million endowment of fossil fuel holdings.

Institutions and money managers with fossil fuel restrictions vary in their approaches. Some screen out the largest global coal, oil and gas companies based on fossil fuel reserves, while some only screen a specific industry such as coal or tar sands. Most money manager policies are client driven, and therefore span the gamut—from partial exclusion of fossil fuels to screening out all companies involved in fossil fuel extraction and processing as well as companies associated with the fossil fuel industry, such as auto manufacturers and others.

The divestment conversation goes well beyond the divested assets. Many institutional investors, either in lieu of, or as part of divesting from fossil fuels, are putting an increased focus on reinvesting in a sustainable future. Indeed, the total institutional assets to which environmental criteria are applied has nearly doubled, from $636 billion at the outset of 2012 to $1.24 trillion at the start of 2014.

$14 billion in assets. Public funds account for just over $10 billion of this total, followed by nonprofits at $2 billion and foundations at $788 million. Grassroots movements, particularly on college and university campuses, are increasingly vocal and pushing institutional investors to do more, and the campaign gathered momentum in 2014.

Product-Related Criteria

The avoidance of investments in certain products that are seen as detrimental or controversial is one of the oldest strategies of sustainable and responsible investing. As of the beginning of 2014, product-related criteria affected $1.15 trillion in assets, up 55 percent from the $741 billion identified at the start of 2012. In line with past years, **tobacco** remains the most prominent product issue in asset-weighted terms, affecting $929 billion in institutional investor assets.

A major development since 2012 is the dramatic growth in institutional assets to which **military and weapons** criteria are applied. In December 2012, the nation was shocked when a 20-year-old fatally shot 20 children and six adults with a semiautomatic rifle at Sandy Hook Elementary School in Newtown, Connecticut. This is the second deadliest mass shooting at a school in the United States, after a senior at Virginia Tech killed 32 students and wounded 17 others with semiautomatic handguns in 2007.

In the aftermath of the Newtown tragedy, many investors considered whether to divest from weapons companies. Notably, Chicago Mayor Rahm Emanuel took a public stance by calling on Chicago pension funds to divest from gun manufacturers and urging mayors nationwide to do the same. Philadelphia's Mayor Michael Nutter proposed the "Sandy Hook Principles," a set of guidelines for gun and ammunition manufacturers, distributors and retailers to ensure safe gun use, and called on the Philadelphia Pension Board and other investment institutions across the United States to divest from companies that do not adhere to the principles. In the year after the shooting, a number of public funds and other institutional investors reviewed their investment portfolios' weapons holdings and established policies to divest.

At the start of 2014, policies restricting investments in military and weapons companies affected $355 billion in assets, a 383-percent increase from $74 billion two years earlier. Public funds accounted for $266 billion of these assets, followed by faith-based investors ($69 billion), foundations ($11 billion) and other nonprofit organizations ($8 billion).

Other product-specific criteria tracked in this category are the avoidance of **alcohol** ($220 billion), **pornography** ($199 billion) and **gambling** ($92 billion).

Institutional Investor Strategies for ESG Incorporation

A subset of 182 institutions out of the 480 captured in this report voluntarily disclosed additional information about the ESG incorporation strategies they use. As shown in Figure 3.5, the vast majority of these institutional investors use negative screening for at least one of the strategies they employ. Public funds and educational institutions primarily use negative screening only, whereas philanthropic foundations, faith-based institutions and family offices use the full range of strategies.

Fig. 3.5: ESG Incorporation Strategies by Institutional Investors 2014

	No. of Institutional Investors	% of Institutional Investors Responding	Assets (in Billions)
Negative/exclusionary: the exclusion from a fund or plan of certain sectors or companies based on specific ESG criteria	170	93%	$1,220
ESG integration: the systematic and explicit inclusion by investment managers of ESG risks and opportunities into traditional financial analysis	32	18%	$217
Positive/best-in-class: investment in sectors, companies or projects selected for positive ESG performance relative to industry peers	32	18%	$159
Impact investing: targeted investments, typically made in private markets, aimed at solving social or environmental problems	34	19%	$8
Sustainability themed investing: the selection of assets specifically related to sustainability in single- or multi-themed funds	28	15%	$6
TOTAL RESPONDING	**182**		

SOURCE: US SIF Foundation.
NOTE: Some institutions disclosed using multiple strategies within funds, so affected assets may overlap and percentages do not sum.

Institutional Investor Motivations for ESG Incorporation

A different subset of 91 institutions, representing about one-fifth of the institutional investors with ESG assets, responded to an additional series of questions about why they incorporate ESG criteria into their investments. These institutions accounted for $1.46 trillion in ESG assets. As Figure 3.6 highlights, the two top motivations, in asset-weighted terms, are improving returns over time and managing risk, with each rationale affecting $1.40 trillion in assets.

Thirty-nine respondents selected fulfilling fiduciary duty as a reason for incorporating ESG criteria, representing $759 billion in ESG assets.

Regulatory or legislative requirements were cited by 17 institutions—primarily public funds—with $619 billion in ESG assets.

Sixty-six respondents, comprised of mostly foundation, faith-based and educational institutions, representing $437 billion in ESG assets, reported that they incorporate ESG criteria to pursue social or environmental impact.

Fulfilling mission or values was cited by the largest number of respondents—71—but affects just $433 billion in ESG assets. Almost all foundation, faith-based and educational institution respondents reported this motivation for ESG incorporation.

Meeting client/beneficiary demand was cited by 30 percent of respondents, or 27 institutions, with $42 billion in ESG assets. Faith-based institutions and family offices were the most prominent in this group.

Fig. 3.6: Institutional Investor Reasons for Incorporating ESG Criteria 2014

	No. of Institutional Investors	% of Institutional Investors Responding	ESG Assets (in Billions)
Returns	35	38%	$1,402
Risk Management	39	43%	$1,401
Fiduciary Duty	39	43%	$759
Regulatory Compliance	17	19%	$619
Social Benefit	66	73%	$437
Mission	71	78%	$433
Client Demand	27	30%	$42
Total	**91**		**$1,455**

SOURCE: US SIF Foundation.
NOTE: Institutions cited multiple rationales, so affected assets and number of institutional investors overlap.

ESG Incorporation by Type of Institution

Fig. 3.7: Types of Institutional Investors Incorporating ESG Criteria 2014

	No. of Institutions	Value of ESG Assets (in Millions)
Public	184	$2,740,018
Corporate	<10	$758,353
Education	108	$316,887
Healthcare	19	$70,874
Faith-based	40	$72,325
Foundation	102	$69,035
Nonprofit/Other	17	$12,549
Family Office	<10	$1,527
Labor	<10	$254
TOTAL RESPONDING	**480**	**$4,041,822**

SOURCE: US SIF Foundation.

Public Funds

Public funds managed for federal, state, county and municipal governments, including public employee pension plans and other publicly pooled portfolios, incorporate ESG criteria across $2.74 trillion, the largest share of institutional assets.

The majority of states and numerous cities and counties offer sustainable and responsible investing options as part of retirement and educational savings plans. Most public SRI options are generally provided through defined benefit or defined contribution plans alongside some 529 college savings programs.

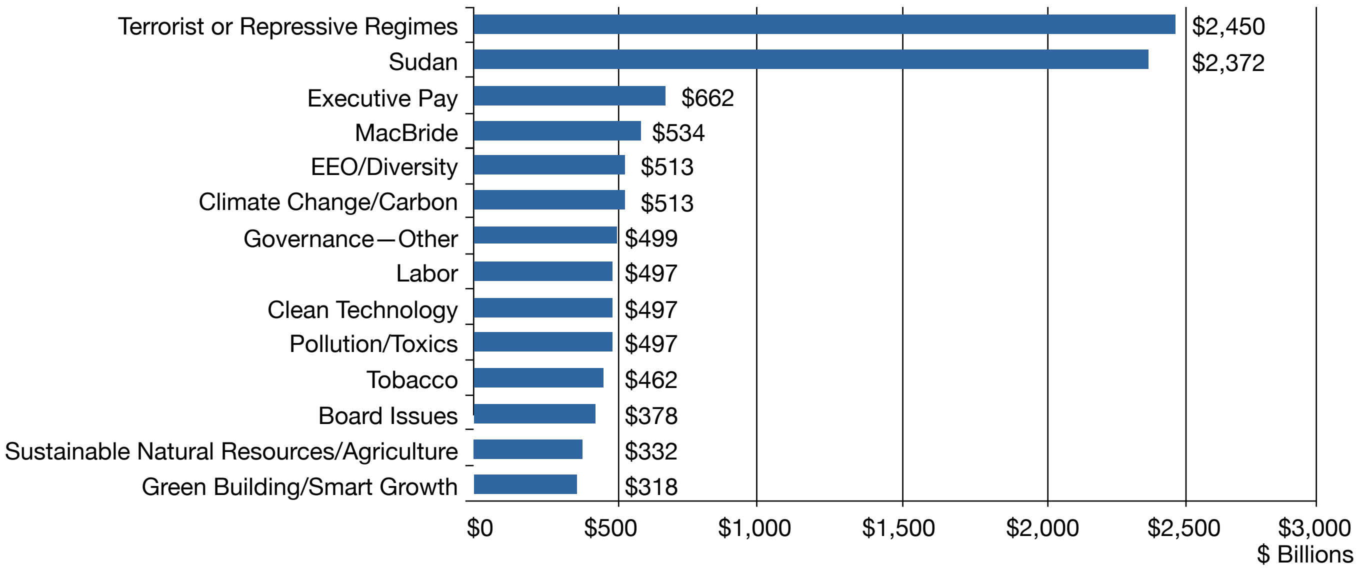
By far the most prominent ESG criteria considered by public funds, based on the assets affected, are policies restricting investment in companies doing business in Sudan, Iran or other repressive or terrorist regimes. Starting in 2005, over half of the US states and the District of Columbia have enacted requirements barring investments in certain companies that do business in **Sudan**, legislative policies that affected $2.37 trillion in public fund assets at the start of 2014, as shown in Figure 3.8, up 74 percent from the comparable assets identified in 2012. Approximately 88 percent of the institutional assets identified as subject to Sudan-related criteria are those of public funds. Concerns about **terrorist or repressive regimes**, other than Sudan, account for $2.45 trillion in public fund assets, or 94 percent of the institutional assets affected by this criterion.

The most prevalent corporate governance investing criterion among public funds at the beginning of 2014 was **executive pay**, affecting $662 billion or 24 percent of public fund ESG assets. Public funds also established or maintained investment policies regarding **board** issues ($378 billion).

The **MacBride Principles** related to fair hiring in Northern Ireland affect $534 billion in public fund assets, down from $775 billion in 2012. The MacBride principles were developed in 1984 and supported by a number of US public pension systems to combat the inadequacy of fair employment law in Northern Ireland in combating discrimination on the basis of religion, particularly to the detriment of the Catholic minority. The advocacy of US pension funds helped to usher in stronger fair employment law and monitoring in the troubled region after 1989, and the peace agreements implemented in the late 1990s eased sectarian tensions further.

Equal employment opportunity and diversity criteria now affect $513 billion in assets at public funds, up from $379 billion two years earlier.

Fig. 3.8: Leading ESG Criteria for Public Funds 2014



SOURCE: US SIF Foundation

Climate change and carbon issues are still the top environmental issue for public funds, affecting $513 billion. Between 2012 and 2014, public funds incorporated a wide range of environmental issues. Specifically, **clean technology** and **pollution/toxics** each affect $497 billion, while $332 billion is subject to **sustainable natural resources and agriculture** and $318 billion is attributed to **green building and smart growth**. In addition, many state and city treasurers and comptrollers are active participants in the Investor Network on Climate Risk (INCR), a project of Ceres, which provides a platform for climate-related shareholder advocacy and public policy work discussed in the next chapter.

As discussed earlier, investment criteria related to **military/weapons** have become more prominent than in previous years, with $266 billion subject to this issue. Public funds account for 75 percent of total institutional assets that consider military/weapons issues in ESG incorporation.

Another prominent trend is **place-based investing**, for which public funds allocated almost $87 billion at the start of 2014. This involves intentionally directing investments to the city or state in which they operate. As the sidebar conveys, economically targeted investments by public funds date at least to the late 1980s.

Corporations

With $758 billion in assets affected by ESG issues, corporate retirement plans and investment portfolios—particularly those of insurance firms—provide the second largest pool of institutional capital that is subject to some form of responsible investment policy. Unspecified general environmental, social and corporate governance criteria affecting $640 billion topped the list. Corporate asset owners with $118 billion in assets cited policies restricting investment in **terrorist and repressive regimes, tobacco** and **alcohol**.

More broadly based ESG criteria are applied through SRI mutual-fund or variable-annuity options in corporate defined-contribution plans, such as 401(k) retirement plans. Organizations such as Social(k) and The Green 401K are helping companies respond to demand from plan participants and plan administrators for SRI options.[2]

PLACE-BASED INVESTING

Place-based investing is a strategy of sustainable and responsible investment in which investors target a defined geographic area, investing for financial returns as well as environmental or social benefits specific to that place.

Although place-based investing is not new, it has recently received increasing recognition as a focus for SRI. Twelve institutions with $87 billion in assets under management, including pension funds, foundations and money managers, reported to the US SIF Foundation that they engaged in place-based investing. Institutions use a variety of different terms to describe their place-based investments, including "economically targeted investment" and "local investing."

Most place-based investors focus on their own backyards, investing locally within their city or state. Some place-based investors, especially foundations, may target other areas of specific social or economic interest. Place-based investing often seeks to support low-income areas and may target themes such as job growth, affordable housing, infrastructure, renewable energy and energy efficiency.

For example, after Hurricane Sandy hit in 2012, the New York City Teachers pension fund committed $1 billion to investing in infrastructure in New York City and the tri-state area. According to Michael Mulgrew, the President of the United Federation of Teachers in New York, the fund wanted to create an "investment strategy for the teacher pension fund that will help meet New York's pressing needs for repairing and updating our roads and bridges, our water and power systems, and middle-income housing. Hurricane Sandy has brought those needs into keener focus."[3]

The California Public Employees Retirement System (CalPERS) has also historically emphasized place-based investing. Since 2001 CalPERS has committed over $1 billion to the California Initiative, an economically targeted private equity initiative that invests in opportunities in California's underserved markets while supporting job growth and other ancillary benefits.[4] In January of 2012 CalPERS created a dedicated team to focus on these initiatives with the launch of the Targeted Investment Programs. In creating the Targeted Investment Programs CalPERS seeks to have a "total fund, integrated approach to investment strategies and programs that are designed to have positive impacts."[5]

In 2011 the California Endowment, a private health foundation, launched the California FreshWorks Fund, a $279 million healthy food financing initiative. Together with a broad coalition of public and private partners, the fund provides financing to grocery stores, farmers' markets and other food retail models that offer nutritious, affordable food options in communities where such options are scarce. The fund also seeks to encourage economic development in low-income communities and invest in innovative models for increasing access to healthy food.[6]

The majority of investors that self-identified for this report as making investments in targeted geographic areas were pension funds. For these funds, place-based investments promise benefits to both the plans and the places where their beneficiaries typically live. Local investment can help improve the state economy, expanding the tax base and improving future funding ratios for the pension fund. Improving infrastructure and affordable housing in an area may also directly increase beneficiaries' quality of life.

Fixed income options for individual and institutional investors to do place-based investing also exist, including through Community Capital Management and Calvert Foundation's Ours to Own Campaign, as well as CDFIs serving specific communities.

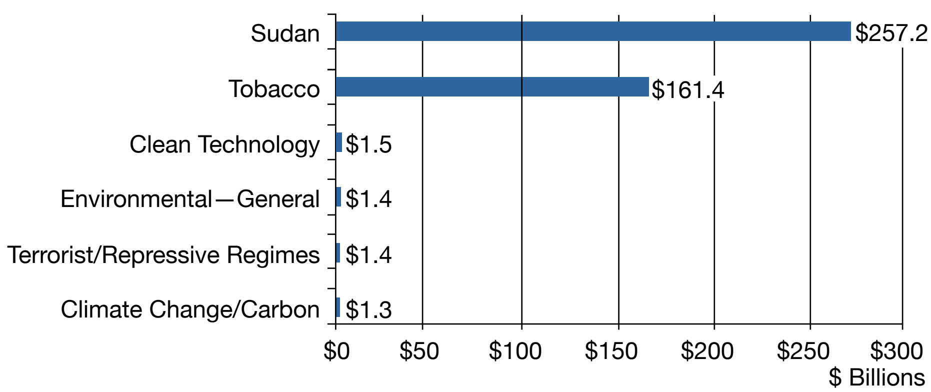
Educational Institutions

Educational institutions in aggregate hold $317 billion in assets that are subject to various ESG criteria, constituting the third largest pool of institutional capital with ESG assets after public funds and corporate funds. While the lion's share of ESG assets relates to **Sudan** and **tobacco** criteria, as shown in Figure 3.9, numerous colleges and universities are exploring how to apply concerns about the environment and sustainability to their investment policies.

At the start of 2014, the US SIF Foundation identified $1.3 billion to $1.5 billion held by education institutions that were considering **climate** concerns, **clean technology** and **other environmental** issues, but recent developments suggests these ESG criteria are likely to be adopted more widely in the next few years. Earlier this year, for example, Harvard University announced that it would become a signatory to the UN-backed Principles for Responsible Investment and the CDP (formerly Carbon Disclosure Project) and begin incorporating ESG criteria across increasing portions of its endowment, the largest in the country. Also in spring 2014, Stanford University announced that its $18 billion endowment would divest from direct holdings in coal companies and direct its external managers to review their exposure to them. In doing so, Stanford has joined more than a dozen other colleges and universities that have committed to some form of fossil-fuel divestment. Because many of these announcements have occurred since the begin of 2014, the momentum associated with the adoption of new environmental investing criteria by educational institutions is not fully reflected in the assets measured at the beginning of 2014.

Several nonprofit organizations, such as the Responsible Endowments Coalition, the Sustainable Endowments Institute and the Sustainable Investments Institute, provide endowments, students and other stakeholders with support, data and research on sustainable investment issues.

Fig. 3.9: Leading ESG Criteria for Educational Institutions 2014



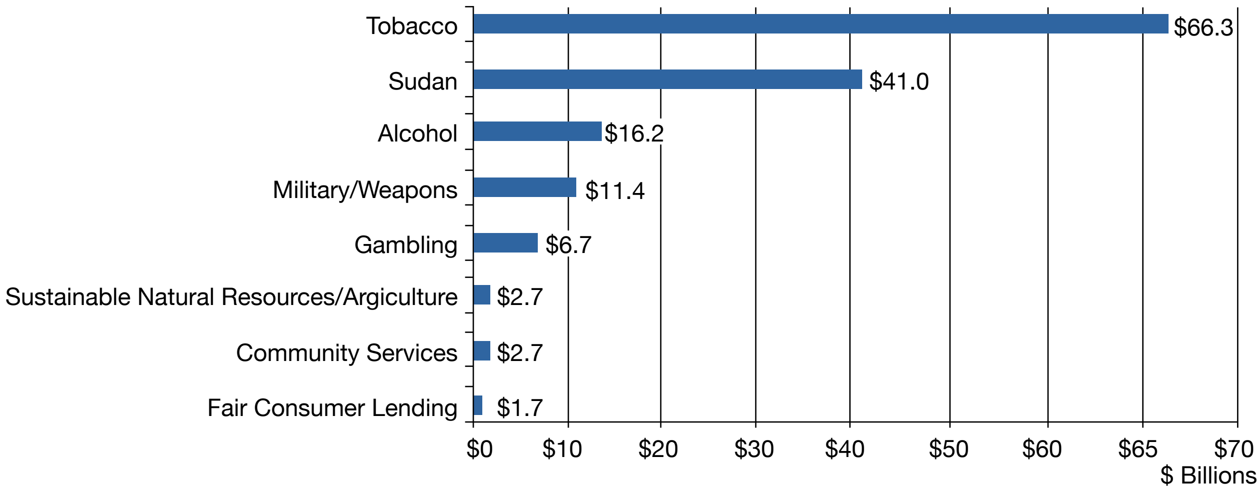
SOURCE: US SIF Foundation.

Philanthropic Foundations

The US SIF Foundation identified 102 foundations that apply one or more ESG criteria to $69 billion in assets collectively, accounting for less than 2 percent of the total institutional ESG assets discussed in this chapter. The top five issues in asset-weighted terms remain the same as in 2012—**tobacco, Sudan**, **alcohol**, **military/weapons** and **gambling**, as seen in Figure 3.10. In addition, a number of these philanthropic foundations apply a variety of other ESG criteria to holdings collectively totaling $1 billion or more. These include **sustainable natural resources and agriculture**, **community services**, **fair consumer lending**, **clean technology** and **board issues.**

Like other institutional investors, foundations tend to be invested for the long term. Foundations are distinguished from many other institutional investors, however, by their explicit philanthropic missions. A fundamental reason for foundations to adopt sustainable and responsible investment strategies is to have additional tools to advance their programmatic goals and generate positive impact.

Fig. 3.10: Leading ESG Criteria for Foundations 2014



SOURCE: US SIF Foundation

For some foundations, program-related investments (PRIs) are the first step they take to consider ESG criteria in their investments. Foundations are required to make an annual 5 percent "qualifying distribution" from their assets, which is "intended to assure that they serve the public good."[7] Foundations commonly meet this requirement through the distribution of grants, but the Internal Revenue Service also allows them to make PRIs, which it defines as investments that provide capital to nonprofit and for-profit enterprises primarily to advance the mission of the giving foundation. Income generation must not be a "significant purpose" of the investment for the foundation.[8] Program-related investments, by definition, involve only a small portion of its practitioners' total assets.

Some foundations, though, apply ESG criteria across all or a portion of the endowment corpus in order to support their mission, broader social responsibility goals or fiduciary duty. While the number of foundations practicing some form of ESG incorporation is just a small fraction of the thousands of foundations in the United States, they do represent a more sizable share—nearly 10 percent—of the almost $700 billion in assets estimated to be held by US foundations. Foundation association executives have indicated that the number of foundations exploring sustainable and impact investment strategies is growing. Networks and resources for foundations in this space include the Center for Effective Philanthropy, Confluence Philanthropy, Council on Foundations, Exponent Philanthropy and Mission Investors Exchange, among others.

As with other institutional investors, the debate about climate risk and whether to divest from fossil fuel companies has led some foundations to consider the place of fossil fuels in their endowments. In January 2014, a new campaign for foundations was established, the Divest-Invest Initiative. A group of foundations with combined assets of over $1.5 billion announced their commitment to divest from fossil fuels and invest in climate solutions. As of September 2014, 70 US and other foundations with $4.1 billion in assets had signed on.

Faith-Based Investors

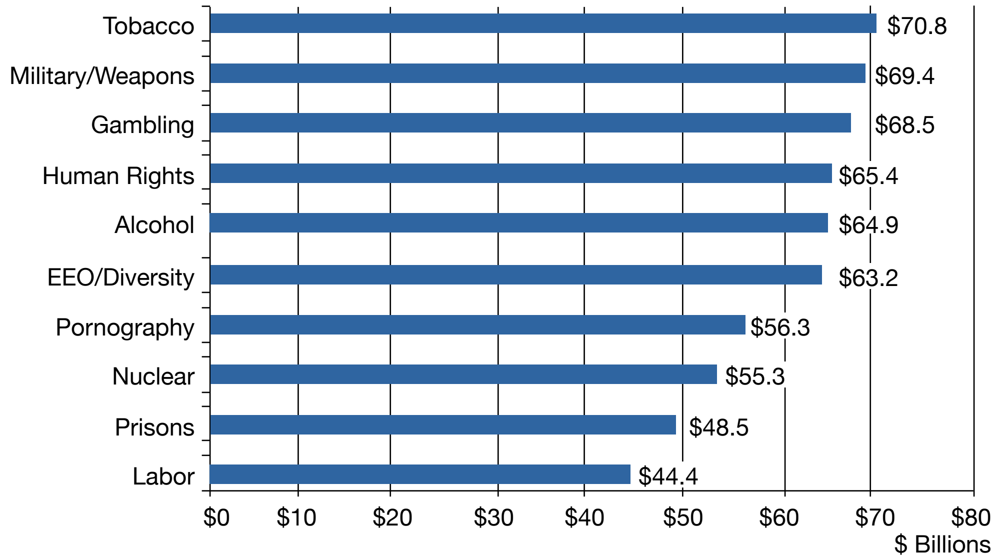
Faith-based institutional investors, led by members of the Interfaith Center on Corporate Responsibility (ICCR), account for $72 billion in ESG assets, up 37 percent from 2012. This amounts to less than 2 percent of the total institutional assets with one or more ESG criteria identified in this report. A wide range of religious organizations are represented among faith-based institutions, from large Protestant denominational pension boards with billions of dollars in assets, to much smaller local Catholic congregational orders, churches and Jewish and Islamic charitable organizations.

Religious institutions incorporate criteria on a wide variety of corporate social responsibility issues. Avoidance of **tobacco**-related investments, **military/weapons** and **gambling** are the most prominent issues in asset-weighted terms, each affecting $69 to $71 billion in assets. **Human rights** remain one of the top issues, incorporated in the management of $65 billion. Criteria restricting investments in **alcohol** companies follow closely, affecting nearly $65 billion. The most common social criterion for faith funds after human rights is **equal employment opportunity and diversity**, affecting $63 billion in assets.

Policies restricting investments in **for-profit prisons** affected $48 billion. While the US SIF Foundation's survey did not specifically list this criterion, a number of faith-based investors mentioned it in their responses, indicating its growing importance.

Beyond the top 10 issues in asset-weighted terms shown in the Figure 3.11, faith-based investors collectively address almost every environmental, social and corporate governance issue tracked in this report, although specific religious institutions do so in highly individualized ways, depending on their faith tradition and mission.

Fig. 3.11: Leading ESG Criteria for Faith-Based Institutions 2014



SOURCE: US SIF Foundation.

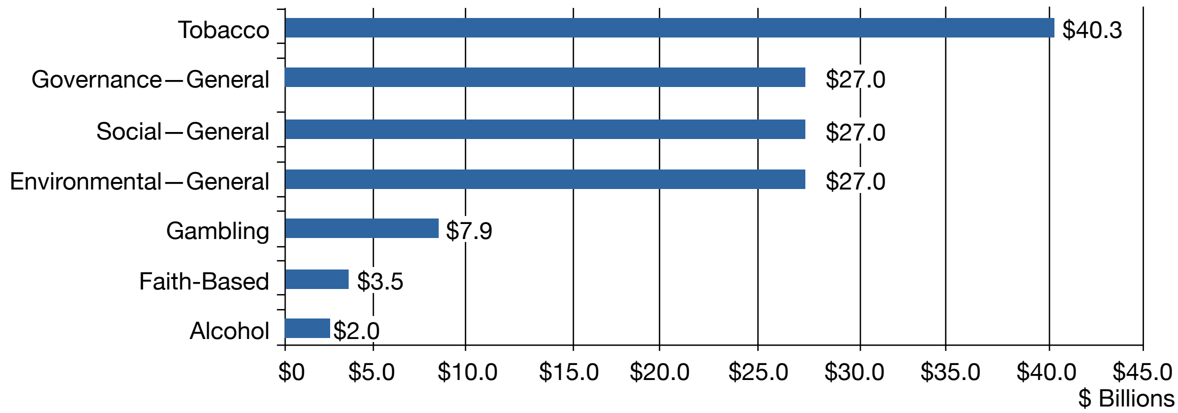
In terms of environmental issues, criteria related to **sustainable natural resources** and **agriculture** affect $43 billion and those related to **climate change** and **carbon emissions** affect $36 billion.

Regarding community issues, the top priorities for faith-based institutional investors are supporting **affordable housing**, affecting $38 billion in assets, and **small and medium businesses**, affecting $30 billion in assets. The most important corporate governance issues in asset-weighted terms are **board issues** and **executive pay**, each affecting about $36 billion.

Hospitals and Healthcare Plans

Hospitals and healthcare plans manage $71 billion in ESG assets, just under 2 percent of the total institutional assets identified in this report as subject to ESG criteria. The most prominent ESG criterion for this segment of investors remains **tobacco**, affecting $40 billion. The American Medical Association and the American Hospital Association encourage tobacco-free investing, and as such many hospitals restrict tobacco from their portfolios to align their missions with their investment strategies.

Fig. 3.12: Leading ESG Criteria for Healthcare Institutions 2014



SOURCE: US SIF Foundation

Additionally, some hospitals organized as nonprofits or affiliated with religious communities incorporate other ESG criteria that reflect broader missions.[9] Restrictions related to **gambling** affect $8 billion, followed by more than $3 billion in assets subject to broad **faith-based** criteria (typically related to contraception) and $2 billion for **alcohol**. At a much smaller scale, hospitals have made investments towards community issues, including affordable housing, microenterprises, community services and community relations.

Healthcare institutions with $27 billion in assets also reported incorporating general environmental, social and governance criteria.

Other Nonprofit Organizations

Institutional investors in this category include research, advocacy and trade association nonprofits but exclude philanthropic foundations discussed separately above. With $12 billion in assets subject to ESG criteria, nonprofit organizations account for less than 1 percent of the total institutional ESG assets identified in this report. However, this is over 10 times the $859 million in ESG assets identified in 2012. Investment policies regarding the avoidance of **tobacco** are the most prominent in asset-weighted terms, affecting $10 billion, followed by policies restricting investments in **military or weapons** companies, **alcohol, gambling** and **pornography**, each affecting about $8 billion.

Environmental criteria related to **sustainable natural resources, pollution/toxics** and **fossil fuels** each affect about $2 billion in assets, collectively, held by non-profit organizations.

Family Offices

The US SIF Foundation first tracked family offices, including trusts, in 2012. This year's survey did not receive a large enough response to measure definitive trends for family offices as a distinct category. However, the handful of family offices that did respond identified a wide range of ESG criteria incorporated in their investment funds. Respondents to the survey identified **pollution and toxics** as the most important ESG issue in asset-weighted terms followed by **climate change and carbon emissions.** Other environmental issues are also among the top overall criteria—**green building and smart growth, clean technology**, and **sustainable natural resources and agriculture**.

Community issues are also a leading consideration among overall ESG issues for family offices, particularly **community services** and **affordable housing**.

Of social issues, criteria related to labor is the most prominent issue in asset-weighted terms followed by **human rights**. Within product criteria, policies restricting investments related to **military and weapons** are the leading criteria.

Labor Funds

Of the labor funds surveyed, only a small number, accounting for $254 million in assets, reported incorporating any kind of ESG criteria into their investments. Although fund managers catering to Taft-Hartley plans—employee pension funds administered jointly by union and employer representatives—have increasingly added environmental and community impact to their guidelines, few union funds reported having adopted similar criteria as a matter of formal investment policy.

Many labor funds use shareholder advocacy strategies instead of ESG incorporation because they typically prefer to be fully invested in the market as "universal investors." As such, labor groups are particularly active shareholder resolution proponents, especially on governance and environmental issues, as the next chapter highlights. To that end, unions have also been very active in shareholder coalitions such as the Investor Network on Climate Risk, in which labor funds representing approximately $170 billion in assets are members.

IV. Shareholder Advocacy and Public Engagement

From 2012 through 2014, more than 200 institutional investors and money managers that collectively represented $1.72 trillion in assets under management at the start of 2014 filed shareholder resolutions on environmental, social or governance (ESG) issues at publicly traded US companies. This is the most visible and verifiable way in which investors can practice responsible ownership, whether or not they also use ESG criteria to select these companies for their portfolios. The US SIF Foundation therefore counts the assets engaged in filing shareholder resolutions as a component of the overall tally of assets engaged in sustainable and impact investing.

Investors can also encourage their portfolio companies to review or improve their ESG policies, practices and strategic planning through their proxy voting and by engaging in dialogue with portfolio companies, either directly or through investor networks.

In addition, investors can encourage policymakers and regulators to require better disclosure or strategic planning by companies on ESG issues.

This chapter will explore each of these responsible ownership practices and investor-related public policy initiatives in more detail, and then provide background on the assets and approaches represented by the institutional investors and money managers that engage in shareholder advocacy. It closes by examining the trends and successes of shareholder proposals on ESG issues from 2012 through 2014.

Fig. 4.0: 2014 Sustainable and Responsible Investing Assets

ESG Incorporation		
Money Managers and CIIs	$4,803.3	
Institutional Investors	$4,041.8	
Overlapping Assets	$(2,644.9)	
Subtotal		**$6,200.2**
Shareholder Advocacy		
Money Managers	$119.4	
Institutional Investors	$1,597.1	
Subtotal		**$1,716.5**
Overlapping Strategies		$(1,344.5)
TOTAL		**$6,572.2**

SOURCE: US SIF Foundation.
NOTE: ESG Incorporation includes community investing institutions (CIIs). All asset values are in billions.

Key Trends in Shareholder Advocacy

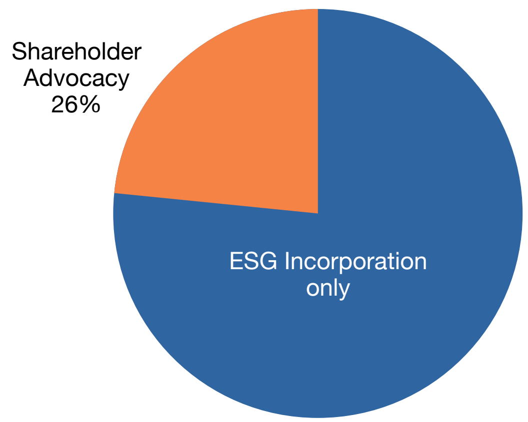
- From 2012 through the first half of 2014, 175 institutional investors and 27 investment managers collectively controlling a total of $1.72 trillion in assets at year-end 2013 filed or co-filed shareholder resolutions on ESG issues.
- Of this $1.72 trillion in assets, $1.34 trillion is also engaged in the strategy of ESG incorporation.
- The number and proportion of shareholder proposals on social and environmental issues that receive high levels of support has been trending upward. From 2007 through 2009, only about 17 percent of

the proposals that came to votes achieved the support of 30 percent of the shares voted. Since 2010, between 23 and 30 percent of shareholder proposals achieved such high levels of support.

- Shareholders concerned about climate risk filed 72 resolutions on the subject in 2014, more than double the number in 2012, and negotiated a number of commitments from the target companies to disclose and reduce their greenhouse gas emissions.
- In response to shareholder campaigns for better corporate governance practices, the number of US companies establishing more stringent standards for their board elections continues to grow. These companies are requiring directors to submit to annual elections and to offer their resignations if they fail to receive approval from the majority of shares voted.
- Individual and institutional investors have given overwhelming support to a rulemaking petition urging the US Securities and Exchange Commission to require companies to disclose their political spending. The SEC has received more than 1 million comments on the proposal—a record in SEC history.

Fig. 4.1: Shareholder Advocacy as Share of SRI Assets 2014

$1.72 trillion of $6.57 trilion



SOURCE: US SIF Foundation.

The Tools of Responsible Ownership

Proxy Voting

Shareowners in publicly traded companies are entitled to vote their shares on items that are presented, whether by management or by other shareholders, for a vote at the corporation's annual general meeting. In the United States, the agenda for the meeting and related materials that is mailed to investors ahead of the annual meeting is called a "proxy statement," leading to the term "proxy voting." Shareholders can attend the meeting in person, but can also cast their votes electronically or by mail.

REGULATION: Regulatory developments over the last few decades have encouraged investors to take a thoughtful approach to proxy voting. In 1988, the US Department of Labor wrote a letter, in response to a query from the chair of Avon Products' Retirement Board, concluding that proxy voting should be considered a fiduciary duty and exercised solely in the interests of plan beneficiaries. Because the Department of Labor has the responsibility, under the Employee Retirement Income Security Act, for ensuring that the administrators of private sector pension plans fulfill their fiduciary duty to the beneficiaries of those plans, the "Avon Letter" was considered to apply to private sector retirement plans in general. The Department of Labor elaborated further on the fiduciary duty of proxy voting in Interpretive Bulletin 94-2, saying that fiduciaries should maintain accurate records of their proxy voting and spell out their guidelines of proxy voting formally as part of their overall statements of investment policy.

Thanks to regulation adopted by the SEC in January 2003, mutual funds and investment advisors began uniformly disclosing how they vote on a host of proxy issues in 2004. Investment advisors are also required to disclose voting guidelines and voting records to clients upon request. Mutual funds must make such disclosures publicly available, providing greater accountability on how they are exercising their role as shareholders at the companies they own. SRI mutual funds were leaders in disclosing their proxy votes and policies even before the SEC requirements took effect.

US SIF's Mutual Fund Performance Chart, which lists the sustainable and responsible mutual funds offered by US SIF's member firms, provides links to each fund's proxy voting policies and records.[1] The proxy voting records of mutual funds can also be found on the SEC website.[2]

In addition, many other institutions, including public retirement funds, faith-based institutions and foundations, voluntarily make their voting decisions public. Publicly traded companies must report on the vote results from their annual meetings within four days by filing an 8-K form.

RESOURCES AND ADVICE FOR PROXY VOTING: Institutional investors can turn to a number of outside firms for assistance in digesting and analyzing the often dense and complicated questions that appear in company proxy statements before casting their shares. In the United States, the major proxy advisory firms are ISS and Glass Lewis. They generally issue vote recommendations a few weeks before each US company's annual meeting on the proposals submitted by management and also, if any, by shareholders. They will also execute votes on behalf of asset owners or their investment managers in line with the client's guidelines.

Institutional investors can avail themselves of other resources for background on the environmental, social and certain governance issues they will see during the annual meeting season. The Interfaith Center on Corporate Responsibility (ICCR) publishes, usually in January, a compilation of the shareholder resolutions its members are filing for that calendar year. As You Sow Foundation issues a proxy season preview early in the calendar year highlighting the key environmental and social issues that will be raised in companies' proxy statements. The preview, which is written with particular attention to the missions and sensibilities of foundations, is publicly available on As You Sow's website. Sustainable Investments Institute provides proxy-related issue briefing papers and company-specific analyses as a subscription service for institutional investors.

For individual investors with direct ownership of shares (rather than through mutual funds), it can be a challenge to find affordable services for help in analyzing voting items and voting shares. One online resource is ProxyDemocracy; the interested individual investor can look at an upcoming corporate annual meeting a week or two before the meeting date to find how various investors, such as the AFL-CIO, California Public Employees Retirement System and Trillium Asset Management, intend to vote.[3]

Filing Shareholder Resolutions

Shareholders can increase their involvement and shape discussion at their companies' annual meetings and boardrooms by filing proposals on ESG issues. By filing shareholder resolutions, which may then proceed to a vote open to all investors of the company, shareholders bring important issues to the attention of company management and the board of directors, often winning media attention and educating the public as well. A company's annual proxy statement is a public document with materials relevant to the shareholder meeting. It can be retrieved online at the SEC's "Edgar" site.[4]

Under the shareholder proposal rule, discussed in more detail below, the SEC sets standards for the support thresholds that shareholder proposals must receive to be eligible for resubmission. It recognizes that it may take a few years for shareholders to learn about new issues raised in a proposal. Under SEC rules, a proposal that consistently gets the support of at least 10 percent of the shares voted can be re-filed indefinitely, assuming it meets the overall requirements for proper subject matter. Certain types of resolutions on governance issues that speak to core shareholder rights—such as a majority vote standard for board elections—regularly receive votes over 50 percent. While vote support over 50 percent is still rare for shareholder proposals on social and environmental proposals, many such proposals receive the support of over 30 percent—and even over 40 percent—of the shares voted.

However, shareholder resolutions do not need majority support to be effective and to have an impact. Since the vast majority of shareholder resolutions are advisory—phrased as requests to management—management is not legally obligated to implement them even when they do pass. (An exception is shareholder proposals that call for bylaw amendments, which would have to be implemented if they passed.) Nevertheless, in many cases when votes become significant, directors heed the concerns raised in advisory proposals and find ways to improve their policies or disclose more information in response.

Shareholder resolutions can also be effective even if they never come to votes. The process of filing often prompts productive discussion leading to agreements between the filers and management that enable the filers to withdraw their resolutions. Many companies are open to negotiating with proponents either to find common ground on an issue or to remove potentially controversial items from the proxy statement. An analysis by David Gardiner and Associates of 110 withdrawal agreements that investors negotiated with companies on environmental issues from 2008 through 2010 found that more than 80 percent of the agreements had been fully or substantially implemented.[5]

In the United States, the ground rules that control the process of filing shareholder resolutions are the regulations and bulletins that the SEC has issued under Section 14a-8 of the Securities Exchange Act of 1934. This shareholder proposal rule permits shareholders to file a proposal at a company if they own at least $2,000 or 1 percent of the company's shares and have held the shares continuously for the past year. Proposals are limited to 500 words and cannot contain false or misleading information or be based on or motivated by a personal grievance. Proposals also generally need to address corporate environmental, social and governance questions considered significant public issues and cannot pertain to "ordinary business" issues such as employee benefits, personnel changes or the sale of particular products. Finally, the shareholder proponent—or a designated representative—must attend the annual meeting in person to present the proposal formally. (Companies typically treat a resolution that is not presented as if it had never been filed.)

Companies receiving proposals can challenge them at the SEC based on the proposal's content or the ability of the proponents to prove they meet share ownership requirements. The SEC acts as a referee in these cases by sending a letter to both corporate management and the filers of the resolution with its opinion on whether the company can omit the proposal from its meeting agenda and proxy statement—or must include it. In addition, to resubmit resolutions in subsequent years after an initial filing, the proposal must win at least 3 percent support in its first year, 6 percent in its second and 10 percent in its third year and all years after. The SEC calculates support levels by dividing the total votes cast for the proposal by the total votes cast for and against the proposal. (It does not count abstentions or broker non-votes.) If a proposal fails to meet the requisite resubmission thresholds, the filer must wait three years to resubmit it.

A wide array of individuals, institutions—including public funds, labor funds, religious investors and foundations—and investment management firms files hundreds of shareholder resolutions each year at US companies. The ICCR, the Investor Network on Climate Risk and the Investor Environmental Health

Network play a major role in coordinating many of these resolutions. Through these networks, potential filers can find co-filers to lend weight to their appeals. Since a shareholder representative must attend the annual meeting in person to present the resolution formally, finding co-filers and allies through networks can ensure that there are sufficient representatives available during the busy annual meeting season, especially when target companies have meetings on the same day.

Dialogue

In addition to or instead of filing shareholder resolutions, concerned investors often communicate directly with the management of portfolio companies. TIAA-CREF says its preferred method of shareholder engagement is "quiet diplomacy," where it "engages privately with portfolio companies to discuss potential shortcomings in ESG policies," including executive compensation and environmental impact. It says its engagement is motivated by its view that as a long-term investor, "sound governance practices and responsible corporate behavior contribute significantly to the long-term performance of public companies."[6]

Many shareholder advocates file resolutions only after efforts to pursue discussions with managements of portfolio companies have been rebuffed or have not been fruitful. Others may file shareholder resolutions more readily, to meet filing deadlines, but make clear in their filing letters to companies that they are open to discussion that might lead to agreements where the resolution can be withdrawn.

In 2012, for example, a coalition of 41 investors representing more than $25 billion in assets under management sent letters to 49 companies questioning their membership in organizations such as the American Legislative Exchange Council (ALEC) and the Heartland Institute, whose extreme views or denial of scientific climate evidence contradicted the companies' claims of corporate responsibility. In their letters, the investors said, "We question if these relationships expose the company to unnecessary reputational and business risk, associating the company with controversial public positions that include Stand Your Ground laws, anti-immigration legislation, denial of climate change and an aggressive attack on the Environmental Protection Agency." Within a few months of receiving the letters, more than 40 companies, including Amgen and General Electric, had announced that they were withdrawing from the organizations or would not renew their memberships. As of September 2014, Walden Asset Management, one of the coalition members, reported that approximately 90 companies had withdrawn from ALEC; two recent departures were Google and Microsoft.[7]

After more than 1,500 garment workers were killed in the Rana Plaza building collapse in Bangladesh in April 2013, an investor coalition representing more than $3.1 trillion in assets, led by Boston Common Asset Management and ICCR, encouraged companies to address systematic problems in the Bangladeshi apparel supply chain. Over 130 companies have joined the European-led Bangladesh Accord on Building and Fire Safety. ASOS and Disney are among the companies that have decided to avoid sourcing from Bangladesh, and Gap, JC Penney, Target, VF Corporation (Timberland), Walmart and others have joined the Alliance for Bangladesh Worker Safety. In October, Adidas joined the Accord after Boston Common led a dialogue with the company on behalf of the investor coalition.[8]

Responsible investors can often augment their messages to portfolio companies, or gain some economies of scale in these efforts, by joining investor networks focusing on particular aspects of corporate responsibility and disclosure. Through CDP (formerly the Carbon Disclosure Project), for example, asset owners and investment managers can become signatories to the CDP's annual appeals to thousands of global corporations asking them to report on their greenhouse gas emissions and to assess the risks and opportunities they face from climate change. Over 700 institutional investors—with aggregate assets of $92 trillion—have lent their names to the initiative, and more than 4,500 global companies—including 69 percent of the S&P 500—responded to CDP's 2013 climate change questionnaire. Because the supply of fresh water is under pressure from global population growth and climate change, the CDP has also

THE CDP AND CLIMATE POLICY DISCLOSURE

Formed in the UK in 2000, the CDP (formerly the Carbon Disclosure Project) is an independent not-for-profit organization holding the largest database of primary corporate climate change information in the world. The CDP acts on behalf of over 700 institutional investors, holding $92 trillion in assets under management, and some 50 purchasing organizations, such as Dell, PepsiCo and Wal-Mart. The CDP partners with businesses to measure their carbon footprint so they can work to reduce it. The CDP sent out its first carbon data request to corporations in 2003, and 235 companies responded. Today, over 4,500 companies in more than 80 countries measure and disclose their greenhouse gas emissions, water management and climate change strategies through CDP, in order to set reduction targets and make performance improvements. This data is made available for use by a wide audience of institutional investors, corporations, policymakers and their advisors, public sector organizations, government bodies, academics and the general public.

The CDP encourages companies not only to report their own direct greenhouse gas emissions, but to develop awareness of their full carbon footprint through their global supply chains. For many companies that have globally outsourced portions of their operations, supply chain emissions from activities such as processing, packaging and transportation often exceed those from the operations they own and manage.

In addition, in 2010 the CDP began to invite the world's most populated cities to report information annually on their greenhouse gas emissions and climate change strategies as a way to prompt action and share best practices. For the 2011-2012 reporting cycle, CDP asked cities, for the first time, to report on water use and water risks alongside their carbon and climate change activities, due to the significant risk this finite resource poses to cities. The fourth annual report, with responses from 207 cities from around the world with a collective population of 394 million, was published in 2014.

started a companion disclosure project to help drive sustainable corporate water management, which it describes as "one of the most significant challenges facing the global economy."[9]

In the United States, the Investor Network on Climate Risk (INCR), a project of Ceres, represents approximately 100 institutional investors with more than $10 trillion in assets. Some of its members work to coordinate filings of shareholder resolutions on climate issues. They also issue public policy statements and urge their investment managers as well as company management to address climate change.[10]

Another investor network that highlights the growing global investor interest in corporate management of ESG issues is the Principles for Responsible Investment (PRI), founded in 2006. Today, the PRI counts as endorsers more than 1,095 investment managers and institutional investors from around the world managing trillions of dollars in assets. In becoming signatories, investors pledge to "incorporate ESG issues into investment analysis and decision-making processes," as outlined by the PRI's first principle. By becoming signatories, organizations endorse this statement in the preamble to the principles:

> As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognize that applying these Principles may better align investors with broader objectives of society.[11]

Under a new regimen that PRI unveiled in 2013, signatories are now expected to report publicly on their responsible investing programs and initiatives, and the organization provides a global platform to facilitate collaborative shareholder engagement initiatives among its signatories. It reported on its website in 2014 that nearly 500 PRI signatories "have been involved in at least one collaborative initiative since the platform was launched at the end of 2006," and that more than 1,600 companies have been contacted.

Responsible Investors and Public Policy

Concerned investors do not necessarily limit their engagement efforts to their portfolio companies. Recognizing that the level of corporate disclosure on and attention to ESG issues is influenced by the regulatory landscape, investors may see public policy advocacy as a logical extension of shareholder engagement. (Of course, public policy engagement on financial and other issues is not limited to investors engaged in shareholder activities.) Several notable legislative and regulatory developments have occurred in recent years that could help set higher standards for corporate disclosure on ESG issues and to make corporate managements and boards more accountable to shareholders and other stakeholders. These developments, described below, were strongly advocated by sustainable and responsible investors, many of whom made their views known individually or though networks and membership organizations such as US SIF, Ceres, the Investor Network on Climate Risk and the Council of Institutional Investors.

Dodd-Frank Financial Reform Law

In 2010, shareholder advocates in the United States won an important victory when the Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law. It gave explicit authority to the SEC to implement a rule to allow shareholders, within certain parameters, to nominate directors to the boards of their portfolio companies and to have access to the company's proxy statement to make the case for their nominees. The law specified, too, that publicly traded companies must allow shareholders—at least once every three years—to hold an advisory vote on their executives' pay packages—an important tool shareholders can use to hold management more accountable (and discussed more fully at the end of this chapter).[12]

The Dodd-Frank law also requires publicly traded companies to provide disclosure around four issues that have been of concern to various sustainable investors, and gave authority to the SEC to issue the regulations to implement these provisions.

- **PAY DISPARITY:** Dodd-Frank requires publicly traded companies to report the median of the annual total compensation of all employees, excluding the chief executive officer; the annual total compensation of the CEO; and the ratio of the median pay to the CEO's. The SEC, however, has yet to issue the necessary rule to implement this provision.

- **PAYMENTS BY EXTRACTIVE INDUSTRIES TO HOST GOVERNMENTS:** Companies registered with the SEC are required to disclose the payments they make to foreign governments or the US government for the commercial development of oil, natural gas or minerals. Several human rights organizations and sustainable investors called for this provision because the secrecy of extractive companies' payments to host governments can facilitate corruption and misappropriation of revenues, leading to social unrest and unstable operating environments for the companies. The SEC's first attempt at rulemaking for this provision was stymied by a legal challenge from the American Petroleum Institute. The US District Court for the District of Columbia ruled that the SEC must revise the rule to provide discretion to companies to make only summaries of their filings—rather than the filings themselves—public. The SEC, which chose not to appeal the decision, has yet to issue the revised rule.

- **MINE SAFETY:** Companies that operate coal or other mines in the United States must report in their SEC financial filings the names of their mines that have received citations or warnings under the Federal Mine Safety and Health Act of 1977, the number and type of citations and warning each mine has received, and the number of mining-related fatalities at each mine.

- **MINERAL SOURCING:** Finally, publicly traded US companies that source the minerals tantalum, tungsten, tin or gold must report the measures they use to determine that they are not sourcing these minerals from the Democratic Republic of the Congo. A horrific factional war has been raging in the eastern part of the country, characterized by extreme levels of violence, particularly against women.

Humanitarian observers believe that the mines in the DRC, many of which are controlled by various armed factions, provide financing that fuels the conflict.

Decisions at the SEC

While the Dodd-Frank Act provided new authority to the SEC to hold companies accountable in specific areas, the agency has also taken steps under its previously existing authority to improve corporate disclosure on issues of concern to sustainable and responsible investors. In January 2010, in a step hailed by sustainable investors, the SEC issued definitive guidance to companies on disclosing climate change risks to investors. In December 2009, the SEC required companies to disclose their board diversity policies beginning with the proxy statements they issued in 2010.

ACTION ON CITIZENS UNITED DECISION: Responsible investors have also turned to the SEC to require corporate disclosure in another critical area. Since January 2010, when the Supreme Court's decision in *Citizens United v. Federal Election Commission* removed restrictions on political advertising and spending by corporations and other organizations, concerned investors have looked for regulatory and legislative means to limit the damage from the decision. Noting that Justice Anthony Kennedy's opinion for the majority strongly endorsed comprehensive disclosure requirements, responsible investors have largely focused on ensuring disclosure. Hundreds of thousands of individual and institutional investors have therefore supported the rulemaking petition that 10 corporate and securities law professors—the Committee on Disclosure of Corporate Political Spending—submitted in August 2011 urging the SEC to require full disclosure by companies of their political spending. Three years later, the SEC had received more than 1 million comments on the proposal—a record in SEC rulemaking history—with the overwhelming majority of the comments in favor of disclosure.

As California State Treasurer Bill Lockyer, one of those commenting, explained:

> Corporate shareholders have a particular interest in ensuring not just the greatest possible transparency in political spending but also accountability through board oversight. They have a right to know a company's policies and actions advance the firm's legitimate business and financial interests and do not endanger its value.
>
> Corporate contributions generally are disclosed when made directly to candidates, political parties or political action committees. But when companies funnel money to trade associations or nonprofit groups—which are playing a larger role in campaigns—donors can hide their identities.[13]

Although the rulemaking was on the SEC's work plan for 2013, the SEC had not issued a rule by the year's close and did not put it on the regulatory agenda again for 2014, an omission that has attracted controversy and comment.

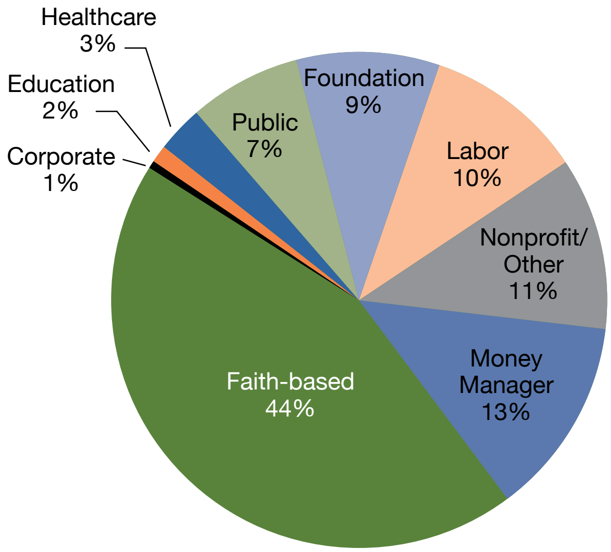
Environmental Issues

Many sustainable and responsible investors are also active in calls for public policy that will help the United States move to a low-carbon economy. Through Ceres, US SIF or other organizations, they have called on members of Congress to extend the wind production tax credit, to defend the Environmental Protection Agency's power and funding to regulate greenhouse gas emissions and other pollutants, and to address climate change through major legislation and regulation. In support of the United Nations Climate Summit in September 2014, numerous institutional investors signed the 2014 Global Investor Statement on Climate Change, which sets out steps that institutional asset owners and asset managers can take to address climate change, and calls on governments to support a new global agreement on climate change by 2015, in addition to national and regional policy measures.[14]

The Institutions and Money Managers Involved in Shareholder Advocacy

As noted earlier, the assets of institutional asset owners and mutual fund companies and other investment managers that filed or co-filed shareholder resolutions from 2012 through mid-2014 are included in this report's overall tally of assets engaged in SRI strategies. In addition, US SIF Foundation's survey of SRI money managers and institutional investors provided insights on the extent to which they engage in formal dialogue with portfolio companies and participate in investor networks.

Fig. 4.2: Number of Shareholder Proponents 2012–2014, by Investor Type



SOURCE: US SIF Foundation.

Institutional Investors

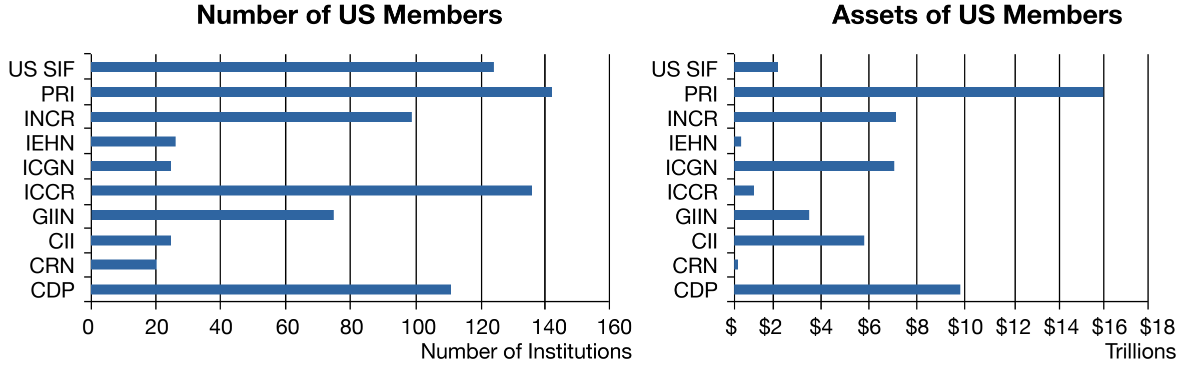
FILING OF SHAREHOLDER RESOLUTIONS: Since 2012, some 175 institutional investors with $1.60 trillion in assets have filed or co-filed shareholder resolutions on ESG issues. In asset-weighted terms, public funds dominate this arena, accounting for $1.26 trillion of the assets but just 15 of the filing institutions (or 19 if the five New York City public funds are counted separately).

Labor funds were next in terms of assets: 21 labor-related institutions, with $233 billion in assets, filed or co-filed shareholder resolutions from 2012 through mid-2014. As discussed in the previous chapter, many labor funds use shareholder advocacy strategies instead of ESG incorporation, preferring to be invested in the market as a whole.

When numbers of institutions rather than assets are considered, faith-based institutions are the leading institutional investor segment filing resolutions. More than half of the 175 institutional proponents in 2012 to 2014 were faith-based investors, and given that many of the hospitals and endowments that engage in the shareholder resolution process do so on the basis of their religious values, faith-based investors play a numerically predominant role. Faith-based investors also commonly complement ESG investing with shareholder advocacy at a higher rate than any other institutional investor segment, even though the assets under their control are lower than other proponents such as public plans, labor unions and hospitals.

DIALOGUE: Eighty-seven institutions, with $1.27 trillion in assets, reported on the survey that they engaged in dialogue with companies on ESG issues, up from 71 institutions, with $871 billion in assets, that answered affirmatively on this question two years earlier.

Fig. 4.3: Leading Networks of Institutional Investors and Money Managers 2014



SOURCE: US SIF Foundation.
NOTE: This figure focuses just on US institutional asset owners and money managers that are members or signatories to these networks. It does not count other types of organizations that may be members, nor non-US institutions and firms.

INVESTOR NETWORKS: One hundred eleven institutions were members or affiliates of the Interfaith Center on Corporate Responsibility, the investor network most frequently cited by institutions responding to the survey. These institutions held at least $172 billion in assets. Fifty institutions, with nearly $1.4 trillion in assets, cited the Investor Network on Climate Risk, making it the leading network in asset-weighted terms among the respondents. At least 27 institutions cited membership in the Global Impact Investing Network, PRI and US SIF. Just 16 institutions reported membership in the Council of Institutional Investors, but they collectively represented $901 billion in assets. Figure 4.3 above represents the numbers and assets of both institutional investors and money managers that belong to investor networks.

Money Managers

Twenty-seven mutual fund companies and other asset managers with $119 billion in assets have filed or co-filed **shareholder resolutions** on ESG issues since 2012.

Sixty-two asset managers, with $7.3 trillion in assets under management, reported that they engage in **dialogue** with companies on ESG issues. This compares with 82 asset managers with $4.9 trillion in assets under management who answered this question affirmatively in 2012, a trend that may reflect the PRI's new reporting requirements for signatories and its interest in facilitating shareholder engagement.

Money managers are actively involved in a wide array of **investor networks** and coalitions as well, as shown in Figure 4.3. PRI was the most common investor network to which managers belonged; 113 managers with $15.1 trillion in assets were signatories. Eighty-eight managers with $1.8 trillion in assets are members of US SIF, while 69 managers with nearly $8.8 trillion participate in CDP programs. Forty-three managers—with $1.5 trillion in assets—are members of the Global Impact Investing Network. Forty-six money managers with $6.4 trillion in assets are members of the Investor Network on Climate Risk. Twenty-six managers with nearly $1.2 trillion in assets are members or affiliates of the ICCR. Smaller numbers of managers reported membership or participation in the Conflict Risk Network, the Council of Institutional Investors, the International Corporate Governance Network and the Investor Environmental Health Network.

Highlights from Recent Proxy Seasons

During the proxy seasons of 2012 through 2014, responsible investors concentrated their efforts on making boards more accountable to shareholders and filed an increasing number of proposals questioning various executive pay practices. They expressed their concern about the pitfalls of unbridled corporate political spending and lobbying and questioned companies about their greenhouse gas emissions and exposure to climate risk. The 2014 season, by September, appeared to have set a record for the number of shareholder proposals filed on social and environmental issues, with 404 such proposals filed, rivaling the previous record of 401 in 2008. A number of proposals achieved majority support. Perhaps more significantly, though, shareholder advocates could point to indicators that companies, at least in certain areas, were responding to their engagement by revising policies and improving disclosure.

Environmental and Social Issues

A roundup of the leading categories of environmental and social proposals from 2012 through 2014, based on the numbers filed and the numbers that came to votes, appears in Figure 4.4.

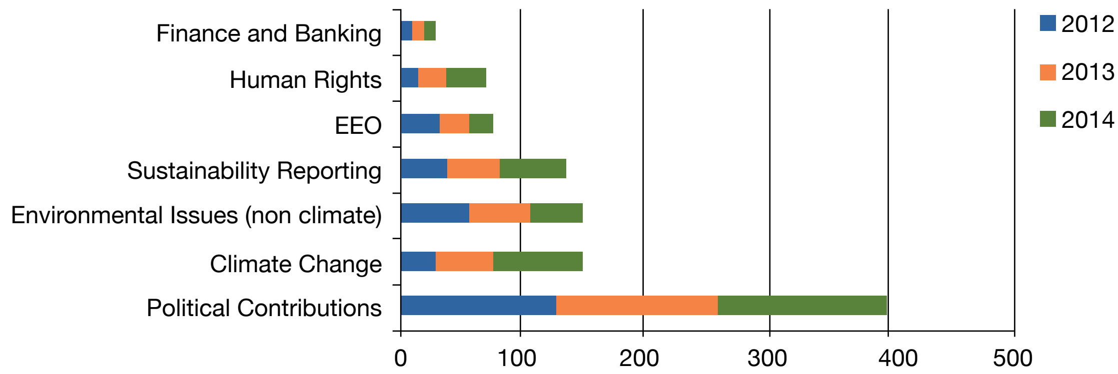
Fig. 4.4: Shareholder Proposals on Key Environmental and Social Issues 2012–2014

Subject	Number of Resolutions Filed			Number Voted On			Average Vote (%)		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
Animal Welfare	24	15	10	13	7	5	4.6	15.7	17.9
Climate Change	32	47	72	11	14	29	19.6	20	24.5
Environmental Issues (non climate)	58	49	43	25	24	19	17.7	13.4	14.6
EEO	33	25	20	10	11	9	30.7	28.3	32.8
Finance and Banking	12	10	8	4	3	1	10.3	18.1	20.9
Labor Issues (non-EEO)	10	3	2	4	3	1	18.7	6.7	3.4
Healthcare	3	4	8	2	1	2	5.3	8.2	16.8
Human Rights	17	22	32	10	12	14	15.4	20.8	23.4
Media	3	6	8	3	2	2	5.7	15.1	23.8
Political Contributions	128	133	137	75	90	87	20.7	24.2	23.8
Sustainability Reporting	40	44	53	12	15	15	26.2	29.7	22.5
Other social proposals	10	3	5	1	1	3			
Total E&S Proposals	370	361	398	170	183	187			

SOURCES: Sustainable Investments Institute, Interfaith Center on Corporate Responsibility.
NOTE: Data for 2014 shows numbers of proposals known to be filed for 2014 meetings as of July 31, and all vote results known as of July 31.

As shown by the number of proposals filed each year (see Figure 4.5), disclosure and management of corporate political spending and lobbying is the greatest single concern raised by shareholders among environmental and social issues. The number of resolutions filed on this subject has continued to climb, to well over 120 in the last three years, and is more than double the annual average of about 60 in 2007 through 2010. A key catalyst for shareholder concern on this issue was the Supreme Court's Citizens United decision in 2010 removing restrictions on corporate political advertising and spending.

Fig. 4.5: Leading Categories of Environmental and Social Issues by Number of Proposals



SOURCE: Sustainable Investments Institute, US SIF Foundation.

The next four categories in terms of the number of resolutions filed concern climate change (with a dramatic surge in the number of proposals filed and voted in 2014), other environmental issues, equal employment opportunity (EEO) and sustainability reporting. Proposals on EEO, virtually all of which in recent years have asked companies to pledge not to discriminate on the basis of sexual orientation and gender identity, consistently get high levels of support. In 2012 and 2014, for example, EEO proposals averaged support of 30 percent or more. Shareholders have also given strong support to proposals asking companies to report on sustainability; these proposals averaged support of more than 26 percent annually in 2012–2014.

The number and proportion of shareholder proposals on social and environmental issues that receive high levels of support has been trending upward. From 2007 through 2009, as shown in Figure 4.6, only about 17 percent of the proposals that came to votes achieved the support of 30 percent of the shares voted. From 2010 onwards, the corresponding percentage has been at least 23 percent, and typically closer to 30 percent. A more detailed look at the 25 highest scoring social and environmental proposals from 2012 through 2014 is shown in Figure 4.7.

Fig. 4.6: Environmental and Social Proposals Receiving High Vote Support 2007–2014

	2007	2008	2009	2010	2011	2012	2013	2014
Total number voted	187	197	174	175	169	170	183	187
—number receiving >30% support	30	29	31	51	52	39	56	55
—% receiving >30% support	16%	15%	18%	29%	31%	23%	31%	29%

SOURCE: Sustainable Investments Institute, Institutional Shareholder Services, Interfaith Center on Corporate Responsibility.

Fig. 4.7: 25 Highest Votes on Environmental and Social Resolutions 2012-2014

Company	Issue	Proponent	Year	Vote (%)
Cracker Barrel Old Country Store	Commend animal welfare policy*	Humane Society of the US	2013	96.16
Kraft Foods Group	Commend animal welfare policy	Humane Society of the US	2014	80.72
CF Industries Holdings	Publish sustainability report	Presbyterian Church (USA)	2013	67.02
CF Industries Holdings	Review/report on political spending	New York State Common Retirement Fund	2013	65.96
Alliant Techsystems	Report on lobbying	Midwest Capuchins	2013	64.79
SLM	Report on lobbying	AFL-CIO	2014	58.56
Lorillard	Report on lobbying	Midwest Capuchins	2014	53.65
WellCare Health Plans	Review/report on political spending	Amalgamated Bank	2012	52.66
Dean Foods	Review/report on political spending	New York State Common Retirement Fund	2014	51.80
Valero Energy	Report on lobbying	New York State Common Retirement Fund	2014	51.60
Duke Energy	Review/report on political spending	Nathan Cummings Fndn	2014	49.37
Universal Forest Products	Adopt sexual orientation and gender identity anti-bias policy	New York State Common Retirement Fund	2013	49.08
Coventry Health Care	Review/report on political spending	NYC pension funds	2012	48.62
Leggett & Platt	Adopt sexual orientation and gender identity anti-bias policy	NYC pension funds	2014	47.83
Marathon Petroleum	Report on lobbying	Trillium Asset Management	2014	47.71
AvalonBay Communities	Publish sustainability report	NYC pension funds	2012	47.62
Emerson Electric	Review/report on political spending	Trillium Asset Management	2014	47.38
McKesson	Review/report on political spending	Miami Firefighters	2013	46.75
Equity Lifestyle Properties	Report on political spending and lobbying	Reinvestment Partners	2013	46.25
Hess	Review/report on political spending	Trillium Asset Management	2013	46.00
Cleco	Publish sustainability report	Calvert Investment Management	2013	45.64
Equity Residential	Publish sustainability report	NYC pension funds	2012	45.09
Cabot Oil & Gas	Review/report on political spending	NYC pension funds	2014	44.68
Chesapeake Energy	Report on lobbying	SEIU Master Trust	2012	44.66
Arch Coal	Report on water use and policy	School Srs. of Notre Dame, St. Louis	2012	44.65

SOURCE: Sustainable Investments Institute.
*The board of directors recommended a vote in favor of this shareholder proposal.

Part of the explanation for this trend may lie in an October 2009 SEC decision that clarified for companies that they could no longer omit shareholder proposals that requested them to assess the risk they face from significant environmental and public health issues. Before 2010, many thoughtful shareholder resolutions on climate and other environmental and public health risks were omitted under the “ordinary business” exclusion, given the SEC’s view at the time that risk assessment was the day-to-day business of management. Moreover, to get around the likelihood of omission, some shareholders were forced to couch their proposals in more nuanced language that had less appeal to other shareholders. Beginning in 2010, however, concerned shareholders have been able to file shareholder proposals that forthrightly question environmental risks related to such issues as climate change and natural gas drilling.

Fig. 4.8: Environmental and Social Proposals, by Status 2012–2014

	2012	2013	2014*
No. of Proposals filed	370	361	398
Subtotal omitted	61	47	38
Subtotal withdrawn	135	126	146
Subtotal voted	170	183	187

SOURCES: Sustainable Investments Institute, Interfaith Center on Corporate Responsibility.
*Through July 31.
NOTE: In addition to the proposals that are omitted, withdrawn or voted, some proposals that are filed are not considered because of company mergers and because the proponents failed to present them.

As noted earlier in this chapter, shareholder proposals need not come to votes to be effective. As Figure 4.8 indicates, more than one-third of the environmental and social proposals filed in 2012 to 2014 were withdrawn by their filers, in most cases after the proponents held fruitful discussions with management.

Some of the recent highlights and shareholder advocacy success stories are detailed below.

CORPORATE POLITICAL SPENDING: Investor demands for disclosure and oversight of corporate political spending and lobbying expenditures now dominate the social issues proxy season. Concerned shareholders want companies to exercise proper oversight to ensure these payments serve the best interests of the firms and their shareholders and will not harm their reputations. The campaign on political spending, advised by the Center for Political Accountability (CPA), has been waged by an investor coalition that includes pension funds, labor unions, environmental groups and sustainable investment managers. The lobbying resolutions have been led by the American Federation of Federal, State, County and Municipal Employees (AFSCME) and Walden Asset Management and have involved over 50 filers.

Fig. 4.9: Political Disclosure and Accountability of Top 195 Companies in S&P 500

Percentage of companies that restrict or disclose	2012 (%)	2013 (%)
• Direct political spending	NA	70
• Payments to trade associations	41	57
• Donations to 501(c)(4) groups	25	35

SOURCE: Center for Political Accountability in conjunction with Zicklin Center for Business Ethics Research, the Wharton School.
NOTE: The analysis is based on an analysis of 195 companies—the top 200 companies, as measured by market capitalization at the end of 2011, in the S&P 500, less Philip Morris International, which does not have operations in the United States, and four companies that were acquired after 2011 (Medco, El Paso, Progress Energy and Goodrich).

Since the start of this shareholder campaign in 2004, the CPA and its allies have persuaded scores of major companies to disclose and require board oversight of their political spending with corporate funds. (See Figure 4.9.) The campaign's effectiveness has been aided by strong investor support. Notably, more than half of the 10 shareholder proposals on environmental and social issues to receive majority support in 2012–2014 dealt with corporate political contributions or lobbying, as shown in Figure 4.7.

In the 2014 season, the bulk of the resolutions in this category asked companies to report on their lobbying expenditures, including through indirect channels such as trade associations and non-profit organizations that do not have to report their donors. Many of the targets have been companies that lobby against measures such as a carbon tax or regulations to cut carbon emissions or that pay dues, make contributions to or sit on the boards of organizations that oppose legislation and regulation to curb greenhouse gas emissions. Another 50-plus proposals asked companies to report on their direct and indirect campaign spending on campaigns and political parties.

Proponents were able to withdraw more than 30 proposals in exchange for substantive commitments from the target companies.

- Trillium Asset Management, for example, announced that it was able to withdraw resolutions at Amgen and Hess when both companies agreed to disclose their memberships in trade associations, as well as the portion of their dues that are used for political activities. At Hess, the resolution had achieved 46 percent support in 2013.
- At Visa, Boston Common Asset Management withdrew a resubmitted proposal that had received 37 percent in 2013 when the company agreed to end its support for ALEC and to disclose memberships in any other trade associations that write model legislation.
- At Accenture, Walden Asset Management was able to withdraw a resolution that had received 31 percent support in 2013 after the company disclosed on its website the dues it pays in major trade association memberships and the percentage of the dues used in political lobbying.

CLIMATE RISK: There was a dramatic surge in shareholder proposals filed on climate change in the 2014 proxy season as investors wrestled with recent research on "stranded" carbon assets and the calls by 350.org and other environmental groups for divestment from fossil fuel companies. To have a chance at keeping average global temperatures from rising to catastrophic levels, the human population must add no more than about 565 gigatons of carbon dioxide to the Earth's atmosphere. However, the Carbon Tracker Initiative, a group of financial analysts based in London, estimates that the world's coal, oil and gas companies have reserves sufficient to put another 2,795 gigatons into the atmosphere.[15]

In the 2013 annual meeting season, responding to this research, As You Sow Foundation filed a new proposal, to coal company Consol Energy, asking it to report on the likelihood that its coal assets could be "stranded" as governments begin to impose curbs on carbon. That proposal earned 22 percent support, and similar proposals were filed at nine other companies. Numerous shareholder resolutions also came to votes that asked fossil fuel companies to adopt quantitative goals to reduce the greenhouse gas emissions from their products and operations.

In 2014, the proposals on stranded assets and carbon risk continued, along with a surge of proposals asking companies to set targets for reducing their greenhouse gas emissions. A new group of proposals asked petroleum companies about their emissions of methane, a greenhouse gas many times more potent than carbon dioxide.

In 2014, As You Sow was able to withdraw resolutions at FirstEnergy and Southern, two electric utilities highly dependent on coal, when both companies agreed to report on the "additional near-term actions" they could take to reduce their greenhouse gas emissions "consistent with the national goal of 80 percent reduction in greenhouse gas emissions by 2050." Trillium Asset Management, similarly, withdrew a proposal asking manufacturing company Lincoln Electric Holdings to adopt quantitative company-wide goals for reducing its greenhouse gas emissions when the company committed to reporting its long-term goals.

The 2014 season also saw the return of proposals, first filed in 2011, on the climate change implications of palm oil. As companies in the food products sector look for more healthful alternatives to trans-fats, they have substituted palm oil, helping to drive up US imports of this commodity. Palm oil also is an ingredient in many shampoo and other personal care products. A problem arises because the expansion of oil palm cultivation is often achieved by clear-cutting and burning forest areas, which not only contributes to greenhouse gas emissions but diminishes the habitat of threatened species such as orangutans.

In 2012, Calvert Investments and the New York State Common Retirement Fund were able to withdraw resolutions at Colgate-Palmolive and Smuckers after achieving commitments from these companies to switch to sustainably sourced palm oil. Calvert reported on its website that Colgate had pledged to purchase only certified sustainable palm oil and derivatives from the Roundtable on Sustainable Palm Oil member companies by 2015. In 2013, Green Century persuaded Starbucks to commit to purchasing 100 percent certified sustainable palm oil by 2015 across its global supply chain. In 2014, another seven companies—ConAgra, Kellogg, General Mills, Mondelez, Panera and Safeway—agreed, after receiving resolutions, to obtain 100 percent of the palm oil for their products from fully traceable, responsibly produced sources.[16]

OTHER ENVIRONMENTAL RISKS: In recent years, shareholders have turned increasing attention to the potential risks of hydraulic fracturing, a technique used in drilling for natural gas, in which chemicals are injected at high pressure underground to break up rock and force the natural gas to the surface. There are concerns that the procedure may harm water supplies for local communities. The campaign began in 2010, when proposals came to votes at six companies and won notably high levels of support for a first-year campaign, ranging from 21 percent to 42 percent.

The campaign gained momentum in 2011. At the five companies where the resolutions came to votes, the average level of support was 41 percent. In 2012, shareholder proponents were able to withdraw resolutions at six of the 10 companies where they had filed as the companies agreed to increase disclosure on the impact of their operations and on their risk reduction practices. In negotiating agreements, the proponents have relied on a guide developed by the Investor Environmental Health Network and the Interfaith Center on Corporate Responsibility that sets forth the best practices in the field.[17]

In 2014, the investor coalition of sustainable investment firms and public pension funds stepped up the campaign by filing shareholder proposals at Chevron, ExxonMobil, EQT, EOG, Pioneer Natural Resources and Occidental Petroleum. They issued a scorecard report, *Disclosing the Facts: Transparency and Risk in Hydraulic Fracturing Operations*, benchmarking companies engaged in hydraulic fracturing practices against investor needs for disclosure.[18] As they noted in a press release, "Companies that received shareholder proposals this year were among those receiving the lowest scores, with no company disclosing information on even half of the 32 indicators assessed."[19] The proponents subsequently were able to withdraw their proposals at:

- ExxonMobil, which agreed to begin reporting on how it manages risk across 26 of the categories listed in *Disclosing the Facts*;
- EQT, which agreed to start measuring and disclosing methane leakage, which previously it had not reported, and also to report on progress to minimize risks to ground and surface water through improved storage and recyclng of waste water;
- Occidental Petroleum, after it agreed to report on its water consumption for each shale gas play, including the amount from fresh water sources, and to report annually on its water recycling, waste management and toxic chemical reduction efforts; and
- Pioneer Natural Resources, which added ESG oversight to its board charter and increased its disclosures on water sourcing and recycling as well as air emissions management.

SUSTAINABILITY REPORTING: In addition, in recent years, shareholders have asked firms to review the broad sustainability of their operations, not only in terms of their environmental impact, but also in how they deal with labor and community issues. In 2013, a sustainability reporting proposal filed by the Presbyterian Church of the USA at CF Industries won majority support of 67 percent. Proponents have withdrawn the majority of sustainability reporting proposals they have filed in the last three years, usually after successful negotiations with the target companies.

EQUAL EMPLOYMENT OPPORTUNITY: In recent years, shareholders, including public pension funds and sustainable and responsible investment firms, have been able to withdraw dozens of resolutions asking companies to pledge not to discriminate against employees based on their sexual orientation when the companies have agreed to expand their non-discrimination policies to include this guarantee. Shareholder proponents are aided in their negotiations with companies by the high levels of support such resolutions receive when they do go to votes.

Governance Issues

Sustainable and responsible investors, including public pension funds, labor funds and SRI investment firms, also seek to reform the governance of portfolio companies so that directors and executives consider and adopt policies in the long-term interests of the companies, their shareholders and other stakeholders. Too frequently, executives have little incentive—in their pay and bonus structures—to consider the company's share price and other indicators of corporate health beyond a one- to three-year horizon. Boards of directors can suffer from "group think," especially when the chair of the board is the company's current or former chief executive officer, or if the directors all come from similar backgrounds.

As shown in Figure 4.10, concerned shareholders have concentrated their efforts in recent years on shareholder resolutions to ensure executive pay is properly aligned with shareholder interests and the company's long-term growth, to request a majority vote standard in director elections, to require the entire board of directors to submit to annual elections rather than staggered terms and to advocate that their boards of directors have an independent chair rather than the CEO. In addition, resolutions have been filed in recent years requesting nominating committees to pay more attention to racial and gender diversity in their searches for board candidates.

SEPARATION OF CHAIR AND CEO: Investors concerned about good governance have long called for US companies to separate the positions of chief executive officer and board chair, and to ensure that the board chair is independent—not a current or former executive of the company. Since the CEO and board chair are the two most authoritative positions in a boardroom, assigning both these roles to a single individual removes the checks and balances critical to good governance.

Although it is common practice in other industrialized countries to separate these two positions, the practice has been slower to catch on in the United States. Still, there has been notable progress in the last few years. Executive search consulting firm Spencer Stuart reports that 45 percent of S&P 500 companies' boards have separated the chair and CEO positions, a near doubling from the 23 percent in this category 10 years earlier. At 25 percent of these companies, the chair is independent, compared with 10 percent in 2006.[20]

Fig. 4.10: Shareholder Proposals on Key Governance Issues 2012–2014

Subject	Number of Resolutions Filed			Number of Resolutions Voted			Average Vote (%)		
	2012	2013	2014	2012	2013	2014	2012	2013	2014*
Board diversity	11	26	19	2	3	3	28.4	35.8	30.1
Board elections: Board declassification	87	90	18	46	29	17	81.0	80.1	83.2
Board elections: Majority vote for directors	56	28	34	38	28	30	61.8	58.1	58.5
Independent board chair	50	78	71	48	57	63	35.6	31.1	31.1
Executive pay	92	160	92	68	90	48	25.0	26.7	25.0

SOURCE: Institutional Shareholder Services, Sustainable Investments Institute.
* Through July 31.

Much of this improvement can probably be traced to shareholder advocacy on this issue. Since 2007, shareholder resolutions requesting that the current or former CEO not serve as the chair of the board have consistently averaged support of well over a quarter of the shares voted, and more than 32 percent support, on average, in 2012 through 2014.

MAJORITY VOTING: Although the Dodd-Frank law allows the SEC to issue rules to give shareholders the ability, within certain parameters, to have access to the proxy statement to nominate directors to run against the board nominating committee's chosen candidates, the SEC's first attempt at rulemaking was overturned on a technicality after a legal challenge from business groups. (The SEC has not taken further action.) In the meantime, responsible investors have continued to push for other measures to hold directors accountable. Currently, the legal system under which most publicly traded companies operate allows a "plurality" standard rather than a "majority" standard. Thus, for a non-competitive director election, even if the majority of shares were voted against a nominee, the nominee could still go on to serve on the board. However, shareholders would like to have more power to say "no" in such cases and to have it mean something; many shareholders therefore are pressing companies to adopt majority vote standards.

Since 2007, shareholder proposals seeking a majority vote standard in uncontested board elections have consistently earned average support of 50 percent or better. A high-profile victory in this campaign occurred in April 2012 when Apple adopted a majority vote standard after a re-filed proposal from the California Public Employees Retirement System requesting this standard won 80 percent support, up from 74 percent support in 2011.[21]

This shareholder campaign is also having an impact. Spencer Stuart reports that 84 percent of S&P 500 companies have adopted policies requiring directors who fail to secure a majority vote to offer their resignations, up from 56 percent in 2008.[22]

Although investors have pushed for a majority vote standard, it is still rare for investors to withhold a majority of votes from directors. More than 95 percent of directors at Russell 3000 companies receive majority support. From 2012 through 2014, the number of directors failing to achieve majority support has numbered just 44 to 46 each year.[23] (Beginning in 2010, Rule 452 of the New York Stock Exchange has banned brokers, who tend to favor management-backed candidates, from voting in director elections on behalf of clients who do not vote themselves.)

BOARD DECLASSIFICATION: An important success story for investors is the growing number of companies that require their directors to be elected annually. Shareholder advocates have pressed for annual elections of all directors as a way to hold boards more accountable, and their efforts have paid off. From 2003 to 2013, the proportion of S&P 500 companies that have staggered board terms (typically, three classes of directors who each serve a three-year term) has fallen from 60 percent to 9 percent.[24] While board declassification proposals have been filed for many years by individual investors, the shareholder campaign gained new attention and momentum more recently as major institutions joined. Under the auspices of the Shareholder Rights Project, a Harvard Law School initiative, the Florida State Board of Administration, four other public funds and the Nathan Cummings Foundation filed 196 proposals at 129 companies from 2012 through 2014. The Shareholder Rights Project reports that 121 of these companies—which represent about two-thirds of the S&P 500—have now agreed to move towards annual elections.[25] The proponents have been helped in their campaign by the strong support they have received from fellow shareholders; board declassification proposals averaged support of 80 percent or more in the last three years.

BOARD DIVERSITY: Sustainable investors have long pressed for companies to actively seek racial and gender diversity on their boards. As of early 2012, fewer than 13 percent of the board seats of the S&P 1500 (12.6 percent) or the Russell 3000 (11.6 percent) were filled by women.[26] Academic literature suggests that diverse groups are better at problem-solving than homogeneous ones, and studies suggest that companies with diverse boards perform better than companies with homogeneous boards.

A recent study by Credit Suisse found that companies within the MSCI All-Country Word Index with gender-diverse boards significantly outperformed their industry and size peers with non-diverse boards from 2005 through 2011.[27]

In June 2012, a large number of institutional investors with approximately $1.2 trillion in assets under management, along with representatives of some of the nation's leading women's organizations, sent a letter to 168 companies, including 41 S&P 500 companies, that did not have any women on their boards of directors. The letter urged them to explicitly set gender diversity as a key criterion of their nominating committee charters and director searches.[28] The group followed up in February 2013 with a second letter to 127 companies within the Russell 1000 Index that did not have any women on their boards. Calling itself the Thirty Percent Coalition, the group's goal is to increase the percentage of board seats held by women at US companies to 30 percent by 2015.

Anne Sheehan, Director of Corporate Governance at the California State Teachers Retirement System (CalSTRS), and one of the signatories to the letter, vowed to "press for change through dialogue with management, shareholder resolutions or related strategies....Our goal is to continue engaging companies until women hold at least 30 percent of corporate board seats across the United States."

Since the start of the initiative, there has been incremental growth in the percentage of board seats held by women, although it still falls far short of the 30 percent goal. A report by EY (formerly Ernst & Young), finds that the percentage of board seats held by women at S&P 1500 companies had ticked up to 14 percent by year-end 2012 and to 15 percent by year-end 2013. This statistic was reinforced by another measure of progress: the proportion of S&P 1500 companies with no women on their boards decreased from 26 to 22 percent from 2012 to 2013, while the proportion with two or more women on their boards increased from 38 to 42 percent.[29]

Additional indicators suggest that the proportion of board seats could grow at a more accelerated rate in the next few years. Institutional Shareholder Services reported that in 2014, "Nearly 30 percent of new board nominees at S&P 500 companies were women, up from 15 percent in 2008. New nominees to Russell 3000 companies were 22 percent female in 2014, up from 11 percent in 2008."[30]

EXECUTIVE PAY: Shareholder advocacy, combined with regulatory changes, are allowing shareholders greater scrutiny and influence over executive pay packages. The enactment of the Dodd-Frank law in 2010 has made it mandatory for publicly traded companies to allow an advisory vote on pay at least every three years.

Shareholders have used the advisory vote on pay to require boards to ensure that the executive compensation policies they craft are defensible and align executives' incentives with their companies' long-term financial health. In 2010, shareholders voted a majority of their shares against three of the 60 companies where they had a chance to weigh in on executive pay as the new Dodd-Frank rule went into effect. These thumbs-down votes came at KeyCorp, Motorola and Occidental Petroleum (whose CEO was paid more than the CEO of any other oil company). Investors have since "failed" 44 companies in 2011, 52 companies, including Citigroup, in 2012, and 53 in 2013.[31]

Although only a relatively low percentage of companies have failed their advisory votes, there is anecdotal evidence that many companies consider the threat of failure a major incentive to ensure their pay packages are defensible. Beazer, a company that failed its say-on-pay vote in 2011, told the Wall Street Journal that it hired a new compensation consultant and met with investors in advance of its 2012 meeting to avoid an embarrassing repeat. The Wall Street Journal analysis also found that 25 percent of the CEOs of the companies that failed their advisory votes in 2011 had left by the 2012 annual meeting, a turnover rate nearly three times greater than among corporate CEOs in general.[32]

Proxy advisory firm ISS also points to evidence that companies make amends after failed say-on-pay votes. As it reported in 2013, "Consistent with prior years, the number of companies with repeated failed votes remains relatively low, which suggests that the proposal is an effective tool in encouraging investor

GENDER LENS INVESTING

In the last several years, investment firms have created products across asset classes that focus on companies that help women advance and on organizations that assist women and their families living in poverty or in under-served communities. In addition to considering standard financial metrics, these investment managers are approaching the investment process with a “gender lens.” This approach appeals to individuals, foundations and pension funds exploring how to use their portfolios to address gender inequality and to benefit from investments in high-diversity companies.

Research suggests that companies that are successful in promoting women to the most senior levels of business and appointing them to boards tend to perform better than those that do not. A 2011 study by Catalyst, for example, a nonprofit organization dedicated to expanding the opportunities for women in business, found that from 2004 through 2008, the Fortune 500 companies with the most women board directors outperformed those with the least by 16 percent on return on sales and by 26 percent on return on invested capital.[33] In a 2012 study, Thomson Reuters compared companies where women hold more than 30 percent of the boards’ seats with companies where women hold fewer than 10 percent of the directorships, out of a database of nearly 2,000 major global companies. It found that the first group of companies fared better in periods of greater economic volatility.[34]

New gender lens products include a mutual fund offered by Pax World, strategies offered by US Trust and Morgan Stanley, and an index offered by Barclays. Investment firms that provide private equity to women-led companies include Texas Women’s Ventures and Golden Seeds.

Community development and microfinance loan funds also assist women. Calvert Foundation’s Women Investment in Women Initiative, for example, has made more than $20 million in microfinance, small business, affordable housing and community development loans to women with the support of 800 individual and institutional investors. Aeris, an information service for community investors, offers an online search guide to US loan funds certified as community development financial institutions that have undergone its extensive due diligence evaluation; the CDFI Selector enables investors to search for investment opportunities by impact area, including women, food access, healthcare and education. US microfinance organizations operating internationally, many with programs that specifically assist women, can be found in Appendix 3 of this report.

In addition, many sustainable, responsible and impact investment managers offer separate account strategies, mutual funds and other products that, while not specifically labeled as “gender lens,” still take into account board diversity, fair employment, labor issues and other issues that concern women. They may take these issues into account in the portfolio selection process, or in their shareholder advocacy and proxy voting policies.

engagement and subsequent actions by issuers to address concerns.” Pointing to a rise in dialogue between investors and issuers, it added, “Advisory votes on executive compensation in particular have encouraged greater dialogue between shareholders and their portfolio companies, leading to changes in company practice and investor votes.”[35] A basic rule of thumb is that a Say on Pay package that receives a No vote in the 35 percent range deserves careful board reevaluation and discussions with investors.

In addition to weighing in on management-sponsored advisory resolutions on pay, public funds, labor funds and other investors have filed shareholder proposals to correct or curb various executive pay practices they view as problematic. On average, though, support from other investors has been muted, at least in comparison with some of the other categories of governance shareholder proposals. An area of success for shareholder advocates has been negotiating “clawback” provisions to recoup executive pay in cases where executives have engaged in fraudulent behavior. In 2013, the UAW Retiree Medical Benefits Trust, together with the New York State Comptroller’s Office, Connecticut Retirement Plans and British fund Hermes, reached agreements with Amgen, Bristol-Myers Squibb, Eli Lilly, Johnson & Johnson, Merck and Pfizer to adopt a set of clawback principles. Similarly, the New York City funds were able to withdraw resolutions after successfully negotiating the adoption of improved clawback policies at Capitol One, Citigroup and Wells Fargo.

In August 2014, As You Sow launched an Executive Compensation Initiative to educate and encourage shareholders to take steps to control executive pay.[36] It asserts that “the current system of executive pay distorts incentives, exacerbates income inequality, and leads consumers and employees to think the game is rigged against them.” Noting that the median executive pay for the CEOs of S&P 500 companies crossed the $10 million mark in 2014, it said it would provide a range of resources to enable investors to identify the most overpaid CEOs and to hold accountable the compensation committee members who propose the plans and the investment managers that approve the plans through their proxy votes. As part of its initiative, As You Sow will be filing shareholder resolutions in 2014 and beyond, asking companies to develop new social and environmental performance criteria to help determine the size of executive pay awards.

V. Methodology

To identify assets under professional management in the United States engaged in sustainable, responsible and impact investing (SRI), the US SIF Foundation employs direct information gathering—through an online information request and conversations with money managers and institutional investors—along with other primary source and secondary source research.

This chapter describes the data sources, data qualification and methodology employed for this report. It also outlines improvements to the methodology used in the 2014 report. Finally, this chapter identifies SRI assets that could not be captured through this research. Because of persisting gaps in sources, the findings presented here remain a conservative statement of the total assets involved in sustainable investment at the beginning of 2014.

The Trends Report is a quantitative, behavioral study. It seeks to measure professionally managed investment assets that fall within at least one of the key strategies of responsible and impact investing: (1) the incorporation of environmental, social and corporate governance (ESG) criteria into investment analysis and portfolio selection, which includes the activities of community investing institutions; and (2) the filing or co-filing of shareholder resolutions on ESG issues.

As a behavioral study, the report avoids making qualitative judgments about intent. This report employs "sustainable, responsible and impact investing" to describe the strategies detailed in the previous paragraph. Nonetheless, some investors, money managers and mutual funds included in this study may not consider themselves to be "sustainable," "responsible" or "impact" investors, or may not consider their activities "SRI." As discussed in the Introduction, the concepts, terms and techniques that investors employ in their incorporation of ESG criteria in investment analysis and selection or their filing of shareholder resolutions vary widely. Another way to research sustainable and responsible investing might measure investors who belong to SRI investor networks, or who report publicly that they take ESG considerations into their investment activities. However, that is not the approach taken in this report. Rather, if an institution or money manager confirmed publicly or in an information request that it uses at least one SRI strategy in a particular investment vehicle, regardless of intent, the assets of that investment vehicle are included in the report.

Although the research for this report included members of US SIF, research was not limited to these investors. The assets of money managers and institutional investors that are not members of US SIF qualify for inclusion in the information request provided they meet the criteria outlined below.

Qualification and Quantification

The US SIF Foundation, along with research partners at Croatan Institute, distributed an online information request to money managers and institutional investors from May through July 2014. The US SIF Foundation and its research partners also reviewed annual reports, financial statements, SEC forms ADV by money managers and IRS 990 filings by nonprofit organizations of their ESG policies, and gathered data from third-party providers and trade associations of community investing institutions, investment companies and institutional investors.

The US SIF Foundation considered that an institution or money manager engaged in SRI if its investment activities included ESG incorporation or filing shareholder resolutions on ESG issues, as described below.

ESG INCORPORATION: If the institution or money manager incorporated one or more ESG criteria as an explicit part of investment policy or practice as of December 31, 2013, only that portion of the portfolio's investment assets actually subject to the ESG criteria as of that date was credited towards the assets in this report. Each qualifying money manager or institution had to confirm the ESG criteria utilized and the assets affected by them in one or more of the following ways:

- responding to the US SIF Foundation's online information request;
- responding to research team members who interviewed them by telephone or corresponded with them by email; or
- providing the relevant data in publicly available sources such as annual reports, financial statements, SEC forms ADV and IRS 990 filings.

If asset data were unavailable as of December 31, 2013, then publicly available data closest to that date were used.

In addition, the research team counted institutions that have historically confirmed incorporating ESG criteria into investments but did not respond to the 2014 information request. Estimates for these institutions' ESG assets were based on their historically reported ESG assets and updated based on the most recently available information as of December 31, 2013. (Institutions that appeared to have discontinued ESG investment activity were excluded from this estimation.)

The assets, as of December 31, 2013, of US-based community investing institutions were also included in this section of the report. The US SIF Foundation defines a community investing institution (CII) as a for-profit or non-profit organization that has a primary mission of providing access to credit, equity and financial services to communities underserved by traditional financial institutions. This includes, but is not limited to, the community development financial institutions (CDFIs) certified by the US Department of the Treasury. The four CII categories are community development banks; community development credit unions; community development loan funds, including US-based international microfinance funds; and community development venture capital funds.

Starting in the 2013/14 reporting cycle, signatories to the Principles for Responsible Investment have been required to disclose data about their responsible investment activities, which are published online in a RI Transparency Report. In their responses to the 2013/14 Transparency Reports, a number of money managers reported that they incorporate ESG criteria—often through the strategy of ESG integration—across multiple asset classes. For these money managers, all US-domiciled assets in those asset classes were included in the report. Additional research was performed on these money managers to determine to what products, and which criteria, ESG incorporation applied.

FILING SHAREHOLDER RESOLUTIONS: The US SIF Foundation counts an institution as a shareholder proponent if it sponsored or co-sponsored at least one shareholder resolution on ESG issues, as tracked by the Interfaith Center on Corporate Responsibility (ICCR), Institutional Shareholder Services (ISS) or Sustainable Investments Institute, between 2012 and summer 2014. For each such institution, the total assets under its management as of December 31, 2013, were included in the shareholder advocacy subtotal of the aggregate SRI universe. The assets of institutions that reported filing resolutions but could not be confirmed as having done so since 2012 were not included in the shareholder advocacy subtotal of the report's aggregate SRI universe.

Institutions were also asked if they engaged in dialogue with current or potential investees in 2012 or later in order to improve the companies' ESG practices or disclosure, either directly or through a service provider representing their assets. The institutions that reported engaging in dialogue with investees as a shareholder advocacy strategy were described in the study, but their assets were not included in the shareholder advocacy subtotal of the aggregate SRI universe.

The assets of investors involved in both ESG incorporation and shareholder advocacy were controlled to avoid potential inflationary effects of double counting prior to aggregation of the broader SRI universe.

Data Sources and Enumeration

With its research partners, the US SIF Foundation developed an information request that was circulated via email to 479 money managers and 1,099 institutional investors. Money managers and institutional investors responding to this information request provided much of the data for this report. Supplementary data were obtained through primary and secondary source research conducted by Croatan Institute and the US SIF Foundation. In total, the 2014 Trends Report researched the SRI activities of 630 money managers and 1,572 institutional investors.

MONEY MANAGERS AND COMMUNITY INVESTING INSTITUTIONS: To identify investment vehicles that incorporate ESG criteria into investment analysis or decision-making, the US SIF Foundation began by distributing an online information request to asset management firms and investment advisors that provide tailored incorporation of ESG issues into their client accounts. The information request collected data on the firms' total assets under management, the US-domiciled assets subject to ESG criteria, each US-domiciled investment vehicle and account incorporating ESG criteria, and the specific ESG criteria applied.

The information request also asked managers and advisors about motivations for ESG incorporation, ESG strategies implemented and membership in investor networks.

The request targeted US SIF members as well as non-member firms, identified through the following sources:

- a proprietary database of managers and funds maintained by the US SIF Foundation;
- lists of US managers with environmental and social investment funds maintained by Bloomberg and Morningstar Associates;
- money managers included in lists of shareholder proponents provided by ICCR, ISS or Sustainable Investments Institute; and
- responsible and impact investment networks such as the Principles for Responsible Investment, the Investor Network on Climate Risk, the Carbon Disclosure Project and the Global Impact Investing Network.

Based on responses to the information request and primary and secondary research in fund prospectus documents, annual reports, statements of additional information, press releases, SEC forms ADV and other SEC filings, media reports and other public and private data, the US SIF Foundation and its research partners collected data on 442 money managers with $25.25 trillion in assets under management. Of these money managers, 308 were found to incorporate ESG criteria into their investment analysis and decision-making processes, affecting $4.74 trillion in assets under management. This included 1,264 investment products, including closed-end funds, exchange-traded funds, hedge funds, loan funds, mutual funds, property/REIT funds, separate accounts, variable annuity funds, VC/private equity funds, other pooled products and other funds not specified.

Because not every US-based money manager was sent an information request and because not all investors responded to the information request, the US SIF Foundation estimates that $4.74 trillion is a conservative undercount of the total professionally managed assets subject to ESG criteria in the United States.

Of the money managers included in this report, 88 are members of US SIF, with total assets of $1.59 trillion.

In addition, the US SIF Foundation sought to identify US community investing institutions (including US-based microfinance funds with international operations). There is no readily available comprehensive set of data on the assets of all US-domiciled community investing institutions. The US SIF Foundation relied on data collected by the US Treasury's Community Development Financial Institutions Fund and various trade associations to determine the number and assets of community investment institutions as of December 31, 2013. Sources included the following:

- the National Community Investment Fund, for the assets of all of the community development banks that are certified as CDFIs;
- the National Federation for Community Development Credit Unions, for the assets of its members (not all of which are certified CDFIs) and other leading community development credit unions; and
- Calvert Foundation, for the assets of US-based international microfinance funds, which channel capital to microfinance institutions and community development projects abroad.

From these combined sources, the US SIF Foundation constructed a total enumeration of 880 community investing institutions with total assets under management of $64.3 billion.

From the combined universe of money managers and community investing institutions, over 2,100 distinct investment vehicles, strategies or community investing institutions were confirmed as incorporating some form of ESG or community-investing criteria into the management of $4.80 trillion in assets.

INSTITUTIONAL INVESTORS: To measure institutional investor assets subject to ESG criteria, the US SIF Foundation collected data on various types of institutional asset owners, including corporations, educational institutions, faith-based investors, family offices, philanthropic foundations, hospitals and healthcare plans, labor unions and Taft-Hartley plans, public and government retirement plans and investment pools, nonprofit organizations and other institutional investors.

The information request was circulated to contacts at 1,099 institutional investors. The US SIF Foundation and its research partners also conducted additional research in publicly available sources including annual reports and financial statements, IRS 990 filings by nonprofit organizations, assets reported by colleges and universities to NACUBO and assets reported by retirement plans to the Department of Labor. Between investor responses to the information request and additional research, this report included data from 1,095 institutional investors with total assets of $5.83 trillion. Of these institutions, 480 were confirmed as incorporating ESG criteria across $4.04 trillion in assets as of December 31, 2013.

Because not every US-based institutional investor was sent an information request and because not all investors responded to the information request, the US SIF Foundation estimates that $4.04 trillion is a conservative undercount of the total institutional assets subject to ESG criteria in the United States.

Of the institutional investors included in this report, 38 are members of US SIF, with total assets of $559.7 billion.

SHAREHOLDER RESOLUTIONS AND THEIR FILERS: Based on data provided by ICCR, ISS and the Sustainable Investments Institute, the US SIF Foundation identified 202 institutional shareholder proponents who filed or co-filed at least one resolution on an ESG issue since 2012. Foreign investors without any identifiable presence in the United States and individual investors were excluded from research.

The US SIF Foundation and its research partners were able to identify the total assets of the majority of these proponents—175 institutional investors and 27 money managers—at $1.72 trillion as of December 31, 2013. Of these assets, $1.34 trillion were confirmed as also subject to ESG incorporation into investment decision-making or analysis, and consequently controlled for the potential effects of double counting prior to aggregation. Because the assets of many of the institutions and money managers could not be identified, $1.72 trillion is a conservative undercount of the total assets controlled by shareholders who have proposed resolutions on ESG issues since 2012.

TOTAL ASSETS UNDER PROFESSIONAL MANAGEMENT IN THE UNITED STATES: To determine the total assets under professional management in the United States, the US SIF Foundation relied upon data provided by Cerulli Associates, based on the total assets reported by US-based investment managers, plan sponsors, endowments and foundations after controlling for double-counting. As of December 31, 2013, Cerulli estimated that $36.8 trillion were under professional management in the United States, up from $30.9 trillion at year-end 2011.

Quality Control, Elimination of Double Counting

To calculate the total universe of US-domiciled assets under management subject to SRI strategies, US SIF Foundation and its research partners aggregated the assets derived from the various research phases. First, however, rigorous controls were put into place to avoid potential sources of double counting. Because of this, the reported number, $6.57 trillion, represents a conservative undercount of the total SRI assets at the beginning of 2014.

Because they represent potential sources of double-counting, specific assets managed by the following investors were not included in this aggregate calculation:

- money managers, community investing institutions or investment advisors that sub-advise other investment vehicles already tracked or that manage assets for institutional clients whose assets are captured in institutional investor research;
- investment advisors that use "funds of funds" or separate-account platforms that merely redirect assets into funds already tracked; or
- shareholder resolution proponents that also incorporate ESG criteria into their investments.

Additionally, money managers were asked to report the amount of assets in each investment vehicle belonging to institutional clients, and the amount of assets belonging to retail or high-net-worth individual clients. The reported information was supplemented by research on publicly-available information through SEC forms ADV and annual reports. This report makes the conservative assumption that all institutional assets under management by money managers using SRI strategies have already been captured in the data collected on institutional investors. Additionally, it makes the assumption that all assets not categorized as institutional or retail may be institutional assets. Therefore, of assets under management by money managers, only those explicitly demarcated as belonging retail or high net worth individuals have been counted in the $6.57 trillion figure.

It is important to note that "funds-of-funds" and non-retail assets invested in money manager vehicles are only controlled for the purposes of aggregation. Figures referencing institutional or money manager assets separately are not controlled for double-counting in this way, in order to accurately communicate the assets under management by money managers, regardless of their institutional or retail market provenance.

In order to avoid double counting of institutional investor assets held by CIIs, only 65 percent of community development bank and community development credit union total assets are estimated as individual or "retail" client account assets. These individual assets are consequently counted toward the ESG incorporation subtotal of the aggregate SRI universe. This ratio is an approximation of the CII assets deposited by individuals, who are not otherwise captured through the US SIF Foundation's research methods, based on consultation with experts in the community development finance field. Although some community development loan funds and venture capital funds are accessible to individual "retail" and high-net-worth investors, all community development loan fund and venture capital fund assets are conservatively assumed to be institutional client assets, unless otherwise reported by the funds. As such, these institutional client assets of CIIs are removed from the ESG incorporation subtotal in order to avoid potential double-counting of assets across money managers and institutional investors.

Extensive verification was conducted for each section of the report, through crosschecking multiple data sources and individually contacting investment managers and investment officers at institutions where appropriate. Particular care was taken to track ESG criteria according only to the assets subject to a particular mandate. Thus if only a portion of an institutional investor's portfolio is subject to environmental factors, for example, only that portion was credited as such.

Methodology Improvements

The US SIF Foundation has conducted its trends research since 1995. From time to time, the report and its methodology are enhanced. Enhancements in the 2014 report include the following:

- The information request provided an expanded list of criteria for money managers and institutional investors to select to describe their investment activities and strategies, including fossil fuel divestment.
- Although they were not among the criteria enumerated in the information request, the US SIF Foundation identified a large number of money managers and institutional investors specifying "Prisons" as a Social criterion and "Place-based investing" as a Community criterion, and added these categories into the report during data analysis.

Conservative Bias: Note on Undercounting

Although the US SIF Foundation and its research partners make a best effort at comprehensively tracking the assets engaged in SRI strategies, certain assets are not included in the report's overall aggregate SRI universe for various reasons. This inability to capture certain assets involved in SRI strategies introduces a conservative bias into this report's methodology. Assets that are not captured in the report's aggregate figures include the following examples.

ESG INCORPORATION: The ESG assets of institutional investors may not be captured if the institution was not included in the information request, if it failed to respond to an information request, or if its assets and incorporation of ESG issues could not be verified through publicly available information.

The assets of any institution or manager that reported that it takes ESG issues into account in its investment decisions but failed to report its assets were excluded, unless publicly available asset data were available.

With ESG information increasingly available to the public and with online brokerages providing ESG model portfolios for retail investors, individuals can now readily incorporate ESG factors into their investment decision-making in highly tailored ways. However, investments made directly by individuals are not captured in this report, unless the individual investors utilized a money manager, investment vehicle or other institution whose assets are included in the report. Additionally, the assets of high-net-worth "angel" investors that make direct private investments—for example, through investor networks fostered by groups such as the Slow Money Alliance—cannot readily be captured through current methods, unless they are made through intermediaries included in the underlying datasets.

Investments made for individuals through personal stockbrokers, financial planners, money managers, family offices, trust companies or trust departments of banks or law firms that were not included in the information request, or did not respond to the information request, cannot be readily captured with existing methods. Although some of these financial intermediaries that advise individual investors were included in the research process, especially those that are members of US SIF, many were not included or failed to respond to information requests.

Substantial community investment is deployed through entities that are not recognized as community investing institutions as defined above but may be complementary to the industry, such as community development corporations, community development entities, community development municipal bonds, economically targeted investments, low-income housing tax credits, targeted mortgage-backed securities and investments made in accordance with Community Reinvestment Act requirements that were not made through a Community Investing Institution. A small portion of these investments may be captured through institutional investors' assets incorporating community issues. However, these investments are generally not included in the ESG incorporation subtotal of the aggregate SRI universe.

SHAREHOLDER ADVOCACY: This report does not include the assets of any individual investors involved in filing shareholder resolutions on ESG issues. It also excludes the assets of money managers or institutions that filed shareholder resolutions if they failed to respond to an information request, and their assets were unavailable through publicly available sources. Also excluded from the subtotal were the assets of any institution or money manager that reported filing shareholder resolutions, but did not sponsor or co-sponsor a resolution during the period under study, 2012–2014.

In addition, the total of assets involved in SRI in this report only includes the assets of those money managers and institutional investors that filed shareholder resolutions. If investors engaged solely in other shareholder engagement activities, like proxy voting, letter-writing or private dialogue, their assets are not included in this total. In 2014, 62 money managers with $7.32 trillion in assets reported in a US SIF information request that they engage in dialogue with portfolio companies in order to improve the companies' ESG practices or disclosure. Of those, 38 money managers with $6.81 trillion in assets have not filed any shareholder resolutions since 2012 and thus were not counted among assets of those involved in shareholder advocacy. In addition, 24 institutional investors representing $291 million in assets reported that they engaged in dialogue with companies in order to improve ESG practices or disclosure, but have not filed shareholder resolutions since 2012. These investors were also not counted among assets of those involved in shareholder advocacy.

In short, there are a number of investors, advisors and institutions involved in sustainable and impact investing strategies that are not readily identifiable for the purposes of this report. The US SIF Foundation continuously strives to enhance its research methods in order to capture these sources of "hidden assets." Because of these various undercounting effects, the aggregate figures throughout the report should be considered conservative estimates of the total assets involved in the strategies of sustainable and responsible investing.

Special Note on Time Series

Over time, data collection for the US SIF Foundation's Trends reports has improved, as increased numbers of money managers and institutions have become more willing to disclose their sustainable responsible and impact investing activities, through our information requests or through other publicly-available data sources like the PRI Transparency Reports. Growth in sustainable investment therefore has occurred in many ways, including through net inflows into existing products, financial performance, the development of new ESG products and the adoption of responsible investment strategies by managers and institutions not previously involved in the field, as well as the identification of portfolios not previously tracked and other data collection improvements. For these reasons, the US SIF Foundation advises against using these data for highly technical time-series analysis.

VI. About the Publisher

US SIF Foundation is a nonprofit 501(c)(3) organization. Its objective and purpose is to support the activities and purpose of US SIF: The Forum for Sustainable and Responsible Investment Inc., its sole member, by carrying out certain educational, research and programmatic activities.

US SIF is the US membership association for professionals, firms, institutions and organizations engaged in sustainable, responsible and impact investing (SRI). US SIF and its members advance investment practices that consider environmental, social and corporate governance criteria to generate long-term competitive financial returns and positive societal impact. US SIF's members include investment management and advisory firms, mutual fund companies, research firms, financial planners and advisors, broker-dealers, community investing institutions, non-profit associations, and pension funds, foundations and other asset owners.

Our vision is a world in which investment capital helps build a sustainable and equitable economy.

Resources for the Media and the Public

Members of the media and the public can find many resources from the US SIF Foundation at www.ussif.org. Highlights include the following reports and guides.

- **UNLEASHING THE POTENTIAL OF US FOUNDATION ENDOWMENTS: Using Responsible Investment to Strengthen Endowment Oversight and Enhance Impact.** This report is designed for foundation staff and trustees who are interested in encouraging their institutions to align a broader portion of their assets under management with their programmatic goals or to factor environmental, social and governance issues into their investment decisions to help fulfill fiduciary duties.
- **THE IMPACT OF SUSTAINABLE AND RESPONSIBLE INVESTMENT.** This guide provides examples of the multiple impacts the sustainable, responsible and impact investment industry has had, including: changing the investment industry and adding options for investors; improving companies through active ownership and engagement; helping communities; and influencing public policy and developing global standard-setting organizations.
- **EXPANDING THE MARKET FOR COMMUNITY INVESTMENT IN THE UNITED STATES.** This report draws on best practices from the field, recommending ways to attract new accredited and institutional investments to community development, as well as to develop products that are accessible to retail investors.

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Endnotes

Chapter I

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Additional SRI Resources

AFL-CIO Office of Investment
www.aflcio.org/Corporate-Watch

As You Sow
www.asyousow.org/

Association for Enterprise Opportunity
www.microenterpriseworks.org

Carbon Tracker Initiative
www.carbontracker.org/

CDP
www.cdp.net

Center for the Advancement of Social Enterprise (CASE) at Duke Fuqua School of Business
www.caseatduke.org/

Ceres
www.ceres.org

Clean Energy and Bond Finance Initiative
www.cleanenergybondfinance.org/

Clean Energy Group
www.cleanegroup.org

Climate Bonds Initiative
www.climatebonds.net/

Coalition of Community Development Financial Institutions
www.cdfi.org

Community Development Venture Capital Alliance (CDVCA)
www.cdvca.org

Confluence Philanthropy
www.confluencephilanthropy.org

Council of Institutional Investors
www.cii.org

Croatan Institute
www.croataninstitute.org/

Divest-Invest Initiative
divestinvest.org/

EIRIS Conflict Risk Network
www.eiris.org/about-us/eiris-conflict-risk-network/

Fossil Free, a 350.org Project
gofossilfree.org/

FundVotes.com
www.fundvotes.com

Global Impact Investing Network
www.thegiin.org

Global Reporting Initiative
www.globalreporting.org

Global Sustainable Investment Alliance
www.gsi-alliance.org/

Green America
www.greenamerica.org

Initiative for Responsible Investment
hausercenter.org/iri/

Interfaith Center on Corporate Responsibility (ICCR)
www.iccr.org

International Corporate Governance Network
www.icgn.org

Investors' Circle
www.investorscircle.net

Investor Environmental Health Network
www.iehn.org

Investor Network on Climate Risk (INCR)
www.incr.com

Investors against Genocide
investorsagainstgenocide.net/

Mission Investors Exchange
www.missioninvestors.org

National Community Investment Fund
www.ncif.org

National Federation of Community Development Credit Unions
www.cdcu.coop

Opportunity Finance Network
www.opportunityfinance.net

Program on Corporate Governance Harvard Law School
www.law.harvard.edu/programs/corp_gov/

ProxyDemocracy
www.proxydemocracy.org

Responsible Endowments Coalition
www.endowmentethics.org

Robert F. Kennedy Center for Justice and Human Rights— Compass Program
rfkcenter.org/compass-5?lang=en

Slow Money Alliance
www.slowmoney.org

SJF Institute
www.sjfinstitute.org/

Social Finance
www.socialfinanceus.org/

Social Funds
www.socialfunds.com

SRI Connect
www.sri-connect.com/

US SIF Foundation
www.ussif.org

Sustainable Endowments Institute
www.endowmentinstitute.org

Thirty Percent Coalition
www.30percentcoalition.org/

United Nations Environment Programme Finance Initiative
www.unepfi.org

United Nations Principles for Responsible Investment
www.unpri.org

World Resources Institute
www.wri.org/project/envest

Appendix 1

Glossary of Environmental, Social and Governance (ESG) Criteria

Money managers and institutional investors engaging in ESG incorporation consider various community, environmental, social, corporate governance and product-related factors in investment analysis, decision-making and portfolio construction. Here is a list of the criteria provided in the 2014 US SIF Foundation information request.

Community Criteria

- **AFFORDABLE HOUSING:** focus on provision, development and/or rehabilitation of housing for low- and moderate-income people.
- **COMMUNITY RELATIONS/PHILANTHROPY:** consideration of companies' corporate giving and community relations.
- **COMMUNITY SERVICES:** focus on provision of services for low- and moderate-income communities, including childcare, education and healthcare.
- **FAIR CONSUMER LENDING:** focus on access to responsible financial services for underserved people.
- **MICROENTERPRISE:** focus on access to credit for domestic and international microbusinesses in underserved communities.
- **SMALL & MEDIUM BUSINESSES:** focus on access to credit for small and medium businesses in domestic and international underserved markets, as well as social enterprises.
- **OTHER COMMUNITY:** focus on community issues outside of affordable housing, community relations/ philanthropy, community services, fair consumer lending, microenterprise, and small & medium businesses.

Environmental Criteria

- **CLEAN TECHNOLOGY:** focus on businesses dedicated to environmentally sustainable technologies or efficient use of natural resources.
- **CLIMATE CHANGE/CARBON:** focus on risk and opportunities related to climate change and greenhouse gas emissions.
- **FOSSIL FUEL DIVESTMENT:** exclusion or partial exclusion of companies engaged in the extraction or production of coal, natural gas and oil.
- **GREEN BUILDING/SMART GROWTH:** focus on real estate that meets energy efficiency or green building standards and/or smart growth principles including urban infill, transit-oriented development and preservation of open space.
- **POLLUTION/TOXICS:** consideration of toxicity of products and operations and/or pollution management and mitigation, including recycling, waste management and water purification.
- **SUSTAINABLE NATURAL RESOURCES/AGRICULTURE:** focus on sustainable agriculture and food products as well as sustainably managed natural resources, including timber and water.
- **OTHER ENVIRONMENTAL:** focus on environmental issues outside of clean technology, climate change/ carbon, fossil fuel divestment, green building/smart growth, pollution/toxics, and sustainable natural resources/agriculture.
- **GENERAL GOVERNANCE:** consideration of unspecified environmental factors.

Social Criteria

- **EEO/DIVERSITY:** consideration of diversity and equal employment opportunity policies and practices relating to employees, company ownership or contractors.
- **HUMAN RIGHTS:** consideration of risks associated with human rights and of companies' respect for human rights within their internal operations and the countries in which they do business.
- **LABOR:** consideration of companies' labor or employee relations programs, employee involvement, health and safety, employment and retirement benefits, union relations or workforce reductions.

- **MACBRIDE:** consideration of companies' implementation of the MacBride Principles related to fair hiring practices in Northern Ireland.
- **SUDAN:** exclusion or partial exclusion of companies with business operations in Sudan that have a relationship with the government or government-created projects and impart minimal benefit to the country's population.
- **TERRORIST OR REPRESSIVE REGIMES:** exclusion or partial exclusion of companies that conduct business in countries (other than or in addition to Sudan) identified as repressive regimes or as state sponsors of terrorism.
- **OTHER SOCIAL:** focus on social issues outside of EEO/diversity, human rights, labor, MacBride, and Sudan and other terrorist or repressive regimes.
- **GENERAL SOCIAL:** consideration of unspecified social factors.

Governance Criteria

- **BOARD ISSUES**: consideration of the directors' independence, diversity, pay and responsiveness to shareholders.
- **EXECUTIVE PAY:** consideration of companies' executive pay practices, especially whether pay policies are reasonable and aligned with shareholders' or other stakeholders' long-term interests.
- **POLITICAL CONTRIBUTIONS:** consideration of companies' transparency, policies and practices on political contributions.
- **OTHER GOVERNANCE:** focus on governance issues outside of board issues, executive pay and political contributions.
- **GENERAL GOVERNANCE:** consideration of unspecified corporate governance factors.

Product and Industry Criteria

- **ALCOHOL:** exclusion or partial exclusion of companies involved in the production, licensing and/or retailing of alcohol products, or in the manufacturing of products necessary for production of alcoholic beverages.
- **ANIMAL TESTING/WELFARE:** consideration of companies' policies and practices toward animals in consumer product testing, where such testing is not legally required, particularly where such tests inflict pain or suffering on the test animals, and on the treatment of animals raised or used for food and other goods and services.
- **FAITH-BASED:** criteria based on specifically religious grounds, generally in reference to the principles of Christian, Jewish or Islamic faiths.
- **MILITARY/WEAPONS:** exclusion or partial exclusion of companies that derive a significant portion of their revenues from the manufacture or retailing of firearms or ammunition for civilian use.
- **GAMBLING:** exclusion or partial exclusion of companies involved in licensing, manufacturing, owning or operating gambling interests.
- **NUCLEAR:** exclusion or partial exclusion of companies involved in nuclear power production.
- **PORNOGRAPHY:** exclusion or partial exclusion of companies that derive a significant portion of revenues from the production or distribution of adult entertainment products, owning or operating adult entertainment establishments, or providing adult entertainment programming through cable or pay-per-view services.
- **PRODUCT SAFETY:** consideration of products' safety and impact on consumers' psychological or physical health.
- **TOBACCO:** exclusion or partial exclusion of companies involved in the production, licensing, and/or retailing of tobacco products, or in the manufacturing of products necessary for production of tobacco products.
- **OTHER PRODUCTS:** focus on product or industry outside of alcohol, animal testing/welfare, faith-based, military/weapons, gambling, nuclear, pornography, product safety and tobacco.

Appendix 2

Mutual and Exchange-Traded Funds Incorporating ESG Criteria

(Assets in $ Millions)

Mutual Funds	
Accrued Equities	
New Alternatives Fund	$175.1
AFL-CIO Housing Investment Trust	
Housing Investment Trust	$4,515.2
AllianceBernstein	
Ethical Retirement Strategies	$137.2
Allied Asset Advisors	
Iman Fund	$51.9
American Trust Investment Advisors	
Allegiance Fund	$22.9
Ariel Investments	
Ariel Appreciation Fund	$2,108.0
Ariel Focus Fund	$58.0
Ariel Fund	$2,516.0
Ascendant Advisors	
Patriot Fund	$13.0
Azzad Asset Management	
Azzad Ethical Fund	$44.4
Azzad Wise Capital Fund	$58.7
Boston Trust & Investment Management Company, Walden Asset Management	
Walden Asset Management Fund	$77.8
Walden Equity Fund	$153.0
Walden Midcap Fund	$30.7
Walden Small Cap Innovations Fund	$109.7
Walden SMID Cap Innovations Fund	$26.7
Bridgeway Capital Management	
Bridgeway Aggressive Investors 1 Fund	$247.1
Bridgeway Blue-Chip 35 Index Fund	$521.0
Bridgeway Large Cap Growth Fund	$54.3
Bridgeway Omni Small-Cap Value Fund	$338.6
Bridgeway Small Cap Growth Fund	$36.0
Bridgeway Small Cap Momentum Fund	$5.8
Bridgeway Small Cap Value Fund	$88.5
Bridgeway Ultra Small Company Fund	$152.0
Bridgeway Ultra Small Company Market Fund	$418.4
Managed Volatility Fund	$36.6
Omni Tax-Managed Small-Cap Value Fund	$350.1
Brown Advisory	
Brown Advisory Sustainable Growth Fund	$210.0
Calvert Investments	
Aggressive Allocation Fund	$91.2
Balanced Portfolio	$598.7
Bond Portfolio	$603.6
Capital Accumulation Fund	$380.9
Conservative Allocation Fund	$104.7
Emerging Markets Equity	$29.9
Equity Income	$23.0
Equity Portfolio	$2,910.1
Global Alternative Energy Fund	$107.0
Global Water Fund	$337.4
Government Fund	$26.0
Green Bond Fund	$10.7
High Yield Bond	$117.6
Income Fund	$990.7
International Equity Fund	$346.5
International Opportunities Fund	$64.7
Large Cap Core Portfolio	$82.7
Large Cap Value	$113.1
Long Term Income	$82.7
Moderate Allocation Fund	$189.0
Short Duration Income	$1,822.8
Small Cap Fund	$181.3
Social Index Fund	$276.9
Ultra Short Income	$898.2
Capital Group	
American Funds American Mutual Fund	$30,700.0
American Funds Washington Mutual Investors Fund	$67,500.0
American Funds Mutual Funds (Other)	$1,018,138.9
Capstone Asset Management (CAMCO, a subsidiary of Capstone Financial Services)	
Steward Global Equity Income Fund	$140.7
Steward International Enhanced Index Fund	$98.7
Steward Large Cap Enhanced Index Fund	$184.3
Steward Select Bond Fund	$140.7
Steward Small Mid-Cap Enhanced Index Fund	$109.6
City National Asset Management (CNAM, a subsidiary of City National Bank)	
CNI Charter Socially Responsible Equity	$81.0
Community Capital Management	
CCM Alternative Income Fund	$8.0
CRA Qualified Investment Fund	$1,557.0
Congressional Effect Management	
Congressional Effect Fund	$3.3
Cornerstone Asset Management	
CAMCO Investors Fund	$2.4
Dimensional Fund Advisors	
DFA Emerging Markets Social Core Equity Portfolio	$764.2
DFA International Sustainability Core 1 Portfolio	$206.6
DFA International Value Ex Tobacco	$77.7
DFA US Social Core Equity 2 Portfolio	$411.0
DFA US Sustainability Core 1 Portfolio	$297.7
International Social Core Equity Portfolio	$148.9
Domini Social Investments	
Domini International Social Equity Fund	$248.8
Domini Social Bond Fund	$124.2
Domini Social Equity Fund	$942.3

Dreyfus Corporation (BNY Mellon Cash Investment Strategies)	
Dreyfus Third Century Fund	$303.1
Eventide Asset Management	
Gilead Fund	$324.6
Healthcare & Life Sciences Fund	$39.9
Everence Financial	
Praxis Genesis Balanced Portfolio	$53.6
Praxis Genesis Conservative Portfolio	$18.0
Praxis Genesis Growth Portfolio	$45.8
Praxis Growth Index Fund	$152.3
Praxis Intermediate Income Fund	$362.4
Praxis International Index Fund	$170.3
Praxis Small Cap Fund	$77.2
Praxis Value Index Fund	$109.4
F.L. Putnam Investment Management Company	
Principled Equity Market Fund	$35.4
Fidelity Management & Research Company	
Select Environmental and Alternative Energy Portfolio	$102.9
Firsthand Capital Management	
Firsthand Alternative Energy Fund	$13.6
Fred Alger Management	
Alger Green Fund	$69.8
GAMCO Investors (Gabelli Asset Management Company)	
Gabelli SRI Fund	$72.4
Green Century Capital Management	
Green Century Balanced Fund	$103.8
Green Century Equity Fund	$76.9
GuideStone Capital Management	
Aggressive Allocation Fund	$879.6
Aggressive Allocation Fund I	$188.9
Balanced Allocation Fund	$1,289.0
Balanced Allocation Fund I	$387.4
Conservative Allocation Fund	$319.2
Conservative Allocation Fund I	$83.6
Defensive Market Strategies Fund	$484.7
Emerging Markets Equity Fund	$290.6
Equity Index Fund	$356.3
Extended-Duration Bond Fund	$270.8
Flexible Income Fund	$109.2
Global Bond Fund	$357.8
Global Natural Resources Equity Fund	$260.7
Growth Allocation Fund	$963.9
Growth Allocation Fund I	$271.1
Growth Equity Fund	$1,418.6
Inflation Protected Bond	$274.1
International Equity Fund	$1,416.7
Low-Duration Bond Fund	$838.6
Medium-Duration Bond Fund	$809.6
Money Market Fund	$1,369.0
MyDestination 2005 Fund	$84.8
MyDestination 2015 Fund	$440.5
MyDestination 2025 Fund	$546.0
MyDestination 2035 Fund	$292.0
MyDestination 2045 Fund	$212.1
MyDestination 2055 Fund	$16.4
Real Assets Fund	$22.9
Real Estate Securities Fund	$234.9
Small Cap Equity Fund	$574.8
Value Equity Fund	$1,343.0
Guinness Atkinson Asset Management	
Guinness Atkinson Alternative Energy Fund	$23.8
Invesco PowerShares Capital Management	
Invesco Summit Fund	$1,864.8
Kriss Investment Group	
All Mutual Funds	$94.0
Krull & Company	
All Mutual Funds	$34.0
Legg Mason Investment Counsel	
Legg Mason Investment Counsel Social Awareness Fund	$149.5
Luther King Capital Management Corporation	
LKCM Aquinas Growth Fund	$43.9
LKCM Aquinas Small-Cap Fund	$14.7
LKCM Aquinas Value Fund	$59.1
Meeder Asset Management (MAM)	
Utilities and Infrastructure Fund	$40.3
Miller/Howard Investments	
Destra High Dividend Strategy Fund	$55.0
Touchstone Premium Yield Equity Fund	$158.0
Utilities & Infrastructure Fund	$40.0
Neuberger Berman	
Emerging Markets Debt	$173.0
NB Socially Responsive Fund	$2,385.0
Northern Trust Global Investments	
Global Sustainability Index Fund	$162.1
Pacific Investment Management Co. (PIMCO)	
PIMCO Low Duration III	$289.7
PIMCO Total Return III	$3,446.0
Parnassus Investments	
Parnassus Asia Fund	$3.4
Parnassus Core Equity Fund	$8,091.3
Parnassus Endeavor Fund	$475.9
Parnassus Fixed-Income Fund	$175.8
Parnassus Fund	$572.3
Parnassus Mid-Cap Fund	$241.2
Parnassus Small-Cap Fund	$775.7
Pax World Management	
ESG Managers Balanced Portfolio	$14.8
ESG Managers Growth and Income Portfolio	$11.1
ESG Managers Growth Portfolio	$15.1
ESG Managers Income Portfolio	$6.3
Pax World Balanced Fund	$2,001.4
Pax World Global Environmental Markets Fund	$140.9
Pax World Global Womens Equality Fund	$46.4
Pax World Growth Fund	$171.4
Pax World High Yield Bond Fund	$660.5
Pax World International Fund	$44.5
Pax World Small Cap Fund	$56.1

Pekin Singer Strauss Asset Management	
Appleseed Fund	$305.0
Pioneer Investment Management	
Pioneer Equity Income Fund	$1,517.5
Pioneer Fund	$5,284.7
Portfolio 21	
Global Equity Fund	$488.1
RBC Global Asset Management	
Access Capital Community Investment Fund A	$513.0
Saturna Capital Corporation	
Amana Developing World Fund	$26.5
Amana Growth Fund	$2,090.1
Amana Income Fund	$1,592.1
Schwartz Investment Counsel	
Ave Maria Catholic Bond Fund	$149.8
Ave Maria Catholic Growth Fund	$285.1
Ave Maria Catholic Opportunity Fund	$51.7
Ave Maria Catholic Rising Dividend Fund	$710.2
Ave Maria Catholic Values Fund	$246.8
Ave Maria World Equity Fund	$39.9
SEI Investments Management Corporation (SIMC)	
New Covenant Balanced Growth Fund (NCBGX)	$294.0
New Covenant Balanced Income Fund (NCBIX)	$84.0
New Covenant Growth Fund	$412.0
New Covenant Income Fund	$301.0
Screened World Equity Ex-U.S. Fund	$75.0
Sentinel Investments	
Sentinel Sustainable Core Opportunities Fund	$240.9
Sentinel Sustainable Mid Cap Opportunities Fund	$131.8
Shelton Capital Management	
Green Alpha Fund	$13.2
SKBA Capital Management	
CNI Socially Responsible Equity Fund	$81.0
State Street Global Advisors (SSgA)	
SSgA IAM Shares Fund	$228.0
T. Rowe Price	
All Mutual Funds	$692,400.0
TIAA-CREF	
TIAA-CREF Social Choice Bond Fund	$69.0
TIAA-CREF Social Choice Equity Fund	$1,732.0
Other TIAA CREF Mutual Funds (Fixed Income)	$15,312.0
Other TIAA-CREF Mutual Funds (Equities)	$28,304.0
Timothy Partners	
Emerging Markets	$9.0
Israel Common Values Fund	$11.2
Timothy Plan Aggressive Growth Fund	$20.6
Timothy Plan Conservative Growth Fund	$54.7
Timothy Plan Defensive Strategies Fund	$68.6
Timothy Plan Fixed Income Fund	$75.5
Timothy Plan High Yield Bond Fund	$37.8
Timothy Plan International Fund	$40.9
Timothy Plan Large/Mid Cap Growth Fund	$53.5
Timothy Plan Large/Mid Cap Value Fund	$128.3
Timothy Plan Small Cap Value Fund	$72.5
Timothy Plan Strategic Growth Fund	$42.1
Touchstone Investments	
Touchstone Premium Yield Equity Fund	$159.0
Trinity Fiduciary Partners	
Epiphany FFV Fund	$23.8
Epiphany FFV Global Ecologic Fund	$1.2
Epiphany FFV Latin America Fund	$4.9
Epiphany FFV Strategic Income Fund	$14.2
USAA Asset Management Company	
USAA First Start Growth Fund	$300.2
Vanguard	
Vanguard FTSE Social Index Fund	$1,045.4
Viking Fund Management	
Integrity Growth & Income Fund	$33.8
Wells Fargo Funds Management	
Large Cap Core Fund	$242.8

Variable Annuity Funds

AXA Equitable Life Insurance Company	
EQ Advisors Trust EQ/Calvert Socially Responsible Portfolio	$118.8
Calvert Investments	
VP SRI Balanced Portfolio	$339.3
VP SRI Equity Portfolio	$11.2
VP SRI Large Cap Value Portfolio	$156.1
VP SRI Mid Cap Growth Portfolio	$52.0
VP SRI Small Cap Growth	$27.4
Dreyfus Corporation (BNY Mellon Cash Investment Strategies)	
Dreyfus Socially Responsible Growth Fund	$273.5
Horace Mann Life Insurance Company	
Wilshire VIT Socially Responsible Fund	$56.2
Legg Mason Investment Counsel	
Variable Social Awareness Portfolio	$48.8
Lincoln National Corporation	
LVIP Delaware Social Awareness Fund	$748.9
Neuberger Berman	
NB AMT Socially Responsible Portfolio	$325.0
Pioneer Investment Management	
Pioneer Equity Income VCT Portfolio	$232.0
Pioneer Fund VCT Portfolio	$216.2
TIAA-CREF	
CREF Social Choice Account	$13,341.0
TIAA Real Estate Account	$16,907.9
TIAA-CREF Life Funds, Social Choice Equity	$65.0
TIAA-VA-1	$937.7
TIAA-CREF Life Funds, Other	$1,090.0
CREF Accounts, Other	$213,555.2
Timothy Partners	
Timothy Plan Conservative Growth Variable	$54.7
Timothy Plan Strategic Growth Variable	$42.1
Variable Annuity Life Insurance Co (VALIC)	
VALIC Company I Global Social Awareness Fund	$423.6
VALIC Company II Socially Responsible Fund	$643.8

Exchange Traded Funds

BlackRock	
iShares Global Clean Energy ETF	$46.7
iShares Global Nuclear Energy ETF	$8.6
iShares Global Timber & Forestry ETF	$360.9
iShares MSCI KLD 400 Social Index Fund	$304.0
iShares MSCI USA ESG Select Social Index Fund	$245.7
First Trust Advisors LP	
First Trust ISE Global Wind Energy Index Fund	$76.7
First Trust NASDAQ Clean Edge Green Energy Index Fund	$97.6
First Trust NASDAQ Clean Edge Smart Grid Infrastructure Index Fund	$12.7
Guggenheim Funds Investment Advisors	
Guggenheim Solar ETF	$170.0
Huntington Asset Advisors	
Huntington EcoLogical Strategy ETF	$14.3
Invesco PowerShares Capital Management	
PowerShares Global Clean Energy Portfolio	$81.0
PowerShares Global Water Portfolio	$227.9
PowerShares Water Resources Portfolio	$959.0
PowerShares WilderHill Clean Energy Portfolio	$216.2
PowerShares Wilderhill Progressive Energy Portfolio	$40.7
Pax World Management	
Pax MSCI EAFE ESG Index ETF (EAPS)	$35.7
Van Eck Associates Corporation	
Environmental Services ETF	$434.0
Market Vectors Global Alternative Energy ETF	$91.3
Market Vectors Solar Energy ETF	$21.8

Appendix 3

Community Investing Institutions

Community Development Banks

ABC Bank
Albina Community Bank
American Metro Bank
AztecAmerica Bank
Bank2
Bank of Cherokee County
Bank of Kilmichael
Bank of Okolona
Bank of Vernon
BankFirst Financial Services
BankPlus
Broadway Federal Bank
Capitol City Bank & Trust Company
Carver Federal Savings Bank
Carver State Bank
Central Bank of Kansas City
Citizens Bank of Weir
Citizens Savings Bank and Trust Company
Citizens Trust Bank
City First Bank of DC
City National Bank of New Jersey
Commercial Bank
Commercial Capital Bank
Commonwealth National Bank
Community Bank of the Bay
Community Capital Bank of Virginia
Community Commerce Bank
Edgebrook Bank
The First, A National Banking Association
First American International Bank
First Choice Bank
First Eagle Bank
First Independence Bank
First National Bank of Decatur County
First Security Bank
First Tuskegee Bank
Fort Gibson State Bank
Gateway Bank Federal Savings Bank
Guaranty Bank & Trust
Harbor Bank of Maryland
Illinois Service Federal Savings and Loan Association
Industrial Bank
International Bank of Chicago
Liberty Bank and Trust Company
Magnolia State Bank
Mechanics and Farmers Bank
Merchants & Planters Bank
Metro Bank
Mission Valley Bank
Mitchell Bank
Native American Bank
Neighborhood National Bank
Noah Bank
North Milwaukee State Bank
One PacificCoast Bank
OneUnited Bank
Oxford University Bank
Pacific Global Bank
Pan American Bank
Peoples Bank of the South
Plantersfirst
ProAmerica Bank
Seaway Bank & Trust Company
SeCredit Unionrity Federal Bank
SeCredit Unionrity State Bank of Wewoka, Oklahoma
South Carolina Community Bank
Southern Bancorp Bank
Spring Bank
Start Community Bank
State Bank & Trust Company
Sunrise Banks
Tri-State Bank of Memphis
United Bank
United Bank of Philadelphia
Urban Partnership Bank

Community Development Credit Unions

1st Bergen Federal Credit Union
1st Choice Credit Union
1st Financial Federal Credit Union
1st Valley Credit Union
Alliance Credit Union
Aloha Federal Credit Union
Alpena Community Credit Union
Alternatives Federal Credit Union
ASI Federal Credit Union
Atchison Village Credit Union
Atlantic City Federal Credit Union
Bay Federal Credit Union
Bethel AME Church Federal Credit Union
Bethex Federal Credit Union
Border Federal Credit Union
Bradley Initiative Credit Union
Brewery Credit Union
Bridgeway Federal Credit Union
Brooklyn Cooperative Federal Credit Union
Buffalo Cooperative Federal Credit Union
Butte Federal Credit Union
Cape Regional Credit Union
Carter Federal Credit Union
Carville PHS Employees Federal Credit Union
Cascade Forest Products Credit Union
Choctaw Federal Credit Union
Choices Federal Credit Union
Church Koinonia Federal Credit Union
Citizens Choice Federal Credit Union
Citizens Community Credit Union
Clarke Educators Federal Credit Union
Claver Federal Credit Union
Communicating Arts Credit Union
Community Credit Union of Southern Humboldt
Community First Guam Federal Credit Union
Community Plus Federal Credit Union
Community Trust Federal Credit Union
Consumers Federal Credit Union
Cook Area Credit Union
Cooperative Center Federal Credit Union
CORE Credit Union
Coshocton Federal Credit Union
County and Municipal Employees Credit Union
CoVantage Credit Union
Credit Union of Atlanta
Community Credit Union
Cross Valley Federal Credit Union
Demopolis Federal Credit Union
District Government Employees Federal Credit Union
East River Development Alliance Federal Credit Union
Electro Savings Credit Union
Episcopal Community Federal Credit Union
Everyone's Federal Credit Union
Express Credit Union
Fairfax County Federal Credit Union
Faith Based Federal Credit Union
Faith Community United Credit Union
Family Federal Credit Union
Federation of Greene County Employees Federal Credit Union
Fidelis Federal Credit Union
Financial Health Federal Credit Union
First Legacy Community Credit Union
First Light Federal Credit Union
Five Star Credit Union
Fleur-de-Lis Federal Credit Union
FM Financial Credit Union
Fort Financial Credit Union
Forward Financial Credit Union
Foss Ave Baptist Church Federal Credit Union
Four Seasons Federal Credit Union
Freedom First Federal Credit Union
Gateway Community Federal Credit Union
GECredit Union
Generations Community Credit Union
Genesee Co-Op Federal Credit Union
Georgia Coastal Federal Credit Union
Greater Abbeville Federal Credit Union
Greater Kinston Credit Union
GTE Federal Credit Union
Guadalupe Credit Union
Gulf Coast Community Federal Credit Union
Hawaii Federal Credit Union
Hawaii First Federal Credit Union
HawaiiUSA Federal Credit Union
Hill District Federal Credit Union
Holy Rosary Credit Union
Hope Federal Credit Union
Iberville Federal Credit Union
Independent Employers Federal Credit Union
Industrial Credit Union of Whatcom County
Jefferson Financial Credit Union
JetStream Federal Credit Union
Joplin Metro Credit Union
KC Terminal Employees/ Guadalupe Center Federal Credit Union

Kerr County Federal Credit Union
Kingsville Community Federal Credit Union
Latino Community Credit Union
Liberty County Teachers Federal Credit Union
Love Gospel Assembly Federal Credit Union
Lower East Side People's Federal Credit Union
Manatee Community Federal Credit Union
Marion and Polk Schools Credit Union
MariSol Federal Credit Union
MECredit Union of Baltimore
Mendo Lake Credit Union
Metro Credit Union
Mid-Cities Financial Credit Union
Military and Civilian Federal Credit Union
Missouri Central Credit Union
Molokai Community Federal Credit Union
Mt. Zion Federal Credit Union
My Choice Federal Credit Union
NATCO Credit Union
Neighborhood Trust Federal Credit Union
New Community Federal Credit Union
New York University Federal Credit Union
Newrizons Federal Credit Union
NorState Federal Credit Union
North Dade Community Development Federal Credit Union
North Side Community Federal Credit Union
Northeast Community Federal Credit Union
Northland Area Federal Credit Union
NRS Community Development Federal Credit Uniion
Nueva Esperanza Community Credit Union
Old West Federal Credit Union
Opportunities Credit Union
Pacific Crest Federal Credit Union
Pacific Northwest Ironworkers Federal Credit Union
Pacoima Development Federal Credit Union
Pelican State Credit Union
Phenix Pride Federal Credit Union
Poplar Bluff Federal Credit Union
Potlatch No. 1 Federal Credit Union
Prince Kuhio Federal Credit Union
Provo Postal Credit Union
Public Service Credit Union
Pyramid Federal Credit Union
Queens Cluster Federal Credit Union
Queens Federal Credit Union
Renaissance Community Development Credit Union
River City Federal Credit Union
Rolla Federal Credit Union
Santa Cruz Community Credit Union
Select Federal Credit Union
Self-Help Credit Union
Self-Help Federal Credit Union
Sentinel Federal Credit Union
Settlers Federal Credit Union
Shreveport Federal Credit Union
South Central Missouri Credit Union
South Side Community Federal Credit Union
Southern Chautauqua Federal Credit Union
Southside Credit Union
St Luke's Credit Union
St. Louis Community Credit Union
St. Philip's Church Federal Credit Union
Suntide Federal Credit Union
SyraCredit Unionse Cooperative Federal Credit Union
Thurston Union of Low-Income People (TULIP) Cooperative Credit Union
TMH Federal Credit Union
Toledo Urban Federal Credit Union
Tombstone Federal Credit Union
Tongass Federal Credit Union
Total Community Action Federal Credit Union
Tulane-Loyola Federal Credit Union
UBC Southern Council Industria WO
Union Baptist Church Federal Credit Union
Union Settlement Federal Credit Union
Unite Burlington Credit Union
United America West Federal Credit Union
United Consumers Credit Union
United Credit Union
United Federal Credit Union
UNO Federal Credit Union
Vigo County Federal Credit Union
Wolf Point Federal Credit Union
Xavier University Employees Federal Credit Union

Depository Institution Holding Companies

Albina Community Bancorp
American Bancorp
American Metro Bankcorp
AztecAmerica Bancorp
Bancorp Of Okolona
BancPlus Corp.
BankFirst Capital Corp.
Birthright, Incorporated
Capital Bancorp
Carver Financial Corp.
Central Bancshares Of Kansas City
CFBanc Corp.
Chickasaw Banc Holding Company
Citizens Bancshares Corp.
City First Enterprises
City National Bancshares Corp.
CNB Bancorp
Commercial Capital Corp
Community Bancshares of Mississippi
First Bancshares
First Eagle Bancshares
First Vernon Bancshares
Greater Chicago Financial Corp
Guaranty Capital Corp.
Harbor Bankshares Corp.
IBC Bancorp
Kilmichael Bancorp
Lafayette Bancorp
Liberty Financial Services
Louisville Development Bancorp
M&F Bancorp
Magnolia State Corp.
Mid State Banks
Mission Valley Bancorp
Mitchell Bank Holding Corp.
Native American Bancorp
Neighborhood Bancorp
North Milwaukee Bancshares
One PacificCoast Bancorp
PBFC Holding Company
PGB Holdings
Pyramid Financial Corp.
SCCB Financial Corp.
SeCredit Unionrity Capital Corp.
SeCredit Unionrity Federal Corp.
Southern Bancorp
State Capital Corp
United Bancorporation of Alabama
University Financial Corp.
Virginia Community Capital

Loan Funds

Domestic Community Development Loan Funds
3CORE
A Shared Initiative
AAFE Community Development Fund
Access to Capital for Entrepreneurs
ACCION Chicago
ACCION East
ACCION New Mexico
ACCION San Diego
ACCION Texas
ACEnet Ventures
Adirondack Economic Development Corp.
Affiliated Tribes of Northwest Indians Financial Services
Affordable Homes of South Texas
Affordable Housing Resources
African Development Center
Alaska Growth Capital BIDCO
Albany Community Together
Albina Opportunities Corp.
Aleutian Financial
alt.Consulting
Anacostia Economic Development Corp.
AnewAmerica CDFI
Appalachian Development Alliance
Arcata Economic Development Corp.
Arizona MultiBank CDC
Arizona Tribal CDFI
Arkansas Capital Relending Corp.
Atlanta Micro Fund
Aura Mortgage Advisors
Azteca Community Loan Fund
BAC Funding Consortium
Baltimore Community Lending
Bankers' Small Business CDC of San Diego
Beech Capital Venture Corp.
Biddeford-Saco Area Economic Development Corp.
Black Business Investment Fund of Central Florida
Blueprint Investment Fund
BOC Capital Corp.
Border Financial Resources
Boston Community Loan Fund
Brazos Valley CDC
Brick City Development Corp.
Bridgeway Capital
Bronx Overall Economic Development Corp. (BOEDC)
Build Wealth, MN
Building Hope
Business Carolina

Business Loan Fund of the Palm Beaches
Business Seed Capital
Businesses Invest in Growth
Butte Local Development Corp.
California Capital Financial Development Corp.
California Coastal Rural Development Corp.
California Community Reinvestment Corp.
California FarmLink
Calvert Social Investment Foundation
CAMBA Economic Development Corp.
Camden Empowerment Corp.
CANI's Center for Community and Economic Development
Cape & Islands Community Development
Capital Fund Services
CDCLI Funding Corp.
Ceiba Housing and Economic Development Corp.
Center for Community Development for New Americans
Center for Financial Independence & Innovation
CEN-TEX Certified Development Corp.
Century Housing Corp.
Cha Piyeh
Charleston Citywide Local Development Corp.
Charter Schools Development Corp.
Chattanooga Community Development Financial Institution
Chattanooga Neighborhood Enterprise
Chautauqua Opportunities for Development
Chehalis Tribal Loan Fund
Cherokee Nation Economic Development Trust Authority
Chi Ishobak
Chicago Community Loan Fund
Choctaw Home Finance Corp.
Cincinnati Development Fund
Citizen Potawatomi Community Development Corp.
Clearinghouse Community Development Financial Institution
Coastal Enterprises
Coastal Villages Community Development Fund
Colorado Enterprise Fund
Colorado Housing Assistance Corp.
Colorado Housing Enterprises
Columbus Compact Corp.
Columbus Housing Initiative
Comerciantes Unidos para el Desarrollo Comunitario de Camuy
Common Capital
Common Wealth Revolving Loan Fund
Community and Shelter Assistance Corp.
Community Assets for People
Community Capital Fund
Community Capital New York
Community Capital of Vermont
Community Capital Works (Philadelphia Development Partnership)
Community Concepts Finance Corp.
Community Development Capital
Community Development Financial Institution of the Tohono O'odham Nation
Community Development Fund of Utah
Community Development Resources
Community Development Transportation Lending Services
Community Development Trust
Community Enterprise Development Services
Community Enterprise Investments
Community First Fund
Community Fund of North Miami-Dade
Community Health Center Capital Fund
Community Housing Capital
Community Housing Fund
Community HousingWorks Realty & Lending
Community Investment Corp.
Community LendingWorks
Community Loan Fund of New Jersey
Community Loan Fund of the Capital Region
Community Neighborhood Housing Services
Community Partnership Development Corp.
Community Preservation Corp.
Community Redevelopment Loan & Investment Fund
Community Reinvestment Fund
Community Resource Group
Community Ventures Corp.
Community Works in West Virginia
CommunityWorks
CommunityWorks North Dakota
ConnectiCredit Union Housing Investment Fund
Cook Inlet Lending Center
Cooperative Business Assistance Corp.
Cooperative Fund of New England
Cornerstone
Corporacion Para El Financiamiento Empresarial Del Comercio Y De Las Comunidades (COFECC)
Corporacion para las Microfinanzas Puerto Rico
Corporation for Supportive Housing
Council for Native Hawaiian Advancement
Craft3
Credit Unionmberland Empowerment Zone Corp.
Dakota Resources
Delaware Community Investment Corp. (DCIC)
Detroit Development Fund
Dorchester Bay Neighborhood Loan Fund
East Harlem Business Capital Corp.
Eastern Dakota Housing Alliance
ECDC Enterprise Development Group
Economic and Community Development Institute (ECDI)
Economic Development and Financing Corp.
Economic Development Investment Fund
Economic Opportunities Fund
El Paso Collaborative for Community and Economic Development
El Paso Credit Union Affordable Housing
Enterprise Center Capital Corp.
Enterprise Community Loan Fund
Enterprise Development Fund of Erie County
Federation of Appalachian Housing Enterprises
Finance Fund Capital Corp.
FINANTA
First American Capital Corp.
First Children's Finance
First Nations Community Financial
First Nations Oweesta Corp.
First Ponca Financial
First State Community Loan Fund
Florida Community Loan Fund
FORGE
Forward Community Investments
Four Bands Community Fund
Four Directions Development Corp.
Fresno Community Development Financial Institution
Frontier Housing
Funding Partners for Housing Solutions
Gateway Community Development Fund
Genesis Fund
Genesis LA Economic Growth Corp.
Georgia Cities Foundation
Grameen America
Great Falls Development Authority
Great Rivers Community Capital
Greater Berks Development Fund
Greater Cincinnati Microenterprise Initiative
Greater Jamaica Local Development Company
Greater Metropolitan Housing Corp.
Greater Minnesota Housing Fund
Greater New Haven Community Loan Fund
Greater Newark Enterprises Corp.
Greater Rochester Housing Partnership
Greensboro Community Development Fund
Grow America Fund
Grow Iowa Foundation
Grow South Dakota
Habitat for Humanity of Iowa
Habitat for Humanity of Minnesota
Harlem Entrepreneurial Fund
Hartford Community Loan Fund
Hartford Economic Development Corp.
Hawaii Community Reinvestment Corp.
HDC Community Fund
HHOC Mortgage
Home Headquarters
Home Ownership Resource Center
HomeBase Texas
HomeBricks
HomeSight
Homewise
Hoopa Development Fund
Hope Enterprise Corp.
Hopi Credit Association
Housing Assistance Council
Housing Development Fund
Housing Partnership Fund
Housing Trust Fund of Santa Barbara County
Housing Trust Silicon Valley
Houston Business development
Human/Economic Appalachian Development Corp.
Hunkpati Investments
Idaho-Nevada Community Development Financial Institution
IFF
Impact Capital

Impact Loan Fund
Impact Seven
Indian Land Capital Company
Indianapolis Neighborhood Housing Partnership
Indianhead Community Development Financial Institution
Initiative Foundation
Innovative Changes
Institute for Community Economics
International Institute CDC
Invest Detroit Foundation
Isaiah Fund
Isles Community Enterprises
Ithaca Neighborhood Housing Services
Kalamazoo Neighborhood Housing Services
Karuk Community Loan Fund
Kentucky Habitat for Humanity
Keweenaw Bay Ojibwa Housing and Community Development Corp.
Knoxville Area Urban League
La Fuerza Unida Community Development Corp.
La Plata Homes Fund
Lafayette Neighborhood Housing Services
Lake County Community Development Corp.
Lakota Fund
Lancaster Housing Opportunity Partnership
Landmarks Community Capital Corp.
Latino Economic Development Center
Latino Economic Development Corp. (LEDC)
Legacy Redevelopment Corp.
LevitiCredit Unions 25:23 Alternative Fund
Lincoln Opportunity Fund
Local Enterprise Assistance Fund
Local Initiatives Support Corp.
Long Island Small Business Assistance Corp.
Los Angeles Community Reinvestment Committee dba CFRC
Louisiana Community Development Capital Fund
Low Income Investment Fund
Lowcountry Housing Trust
Lowell Community Loan Fund
Lower Brule Community Development Enterprise
Lummi Community Development Financial Institution
Lynchburg Community Loan Fund
MaineStream Finance
Massachusetts Housing Investment Corp.
Mazaska Owecaso Otipi Financial
Mercy Loan Fund
Metro Broward Economic Development Corp.
Metro Community Development
MetroAction
Metropolitan Consortium of Community Developers
Metropolitan Economic Development Association
MHIC
Miami-Dade Affordable Housing Foundation
Midwest Housing Development Fund
Midwest Minnesota Community Development Corp.
Mile High Community Loan Fund
Milwaukee Economic Development Corp.
Minnesota Chippewa Tribe Finance Corp.
Montana Community Development Corp.
Montana Homeownership Network
Mountain Association for Community Economic Development
Mountain BizCapital d/b/a Mountain BizWorks
Mountain Housing Opportunities Loan Fund
MS Gulf Coast Renaissance Corp.
NACDC Financial Services
National Community Reinvestment Coalition Community Development Fund
National Council on AgriCredit Unionltural Life and Labor Research Fund
National Federation of Community Development Credit Unions
National Housing Trust Community Development Fund
Native American Development Corp.
Native Community Finance
Natural Capital Investment Fund
Navajo Partnership for Housing
NCB Capital Impact
Nebraska Enterprise Fund
Nehemiah Community Reinvestment Fund
Neighborhood Development Center
Neighborhood Development Services
Neighborhood Economic Development Corp.
Neighborhood Finance Corp.
Neighborhood Housing Services Lending
Neighborhood Housing Services of Baltimore
Neighborhood Housing Services of Dimmit County
Neighborhood Housing Services of Hamilton
Neighborhood Housing Services of New Orleans
Neighborhood Housing Services of New York City
Neighborhood Housing Services of Orange County
Neighborhood Housing Services of Phoenix
Neighborhood Housing Services of Richmond
Neighborhood Housing Services of Rochester
Neighborhood Housing Services of San Antonio
Neighborhood Housing Services of South Florida
Neighborhood Housing Services of Toledo
Neighborhood Housing Services of Waco
Neighborhood Housing Services Silicon Valley
Neighborhood Lending Partners of West Florida
Neighborhood Lending Services
Neighborhood Lending Services
Neighborhood Partnership Housing Services
Neighborhoods of Battle Creek
NeighborWorks Capital
Network for Oregon Affordable Housing
Nevada Microenterprise Development Corp.
New Bedford Economic Development Council
New Entrepreneurs Opportunity Fund
New Hampshire Community Loan Fund
New Mexico Community Development Loan Fund
NEWCORP Business Assistance Center
Next Street Financial
NHS Neighborhood Lending Services
NiiJii Capital Partners
Nogales Community Development Corp.
Nonprofit Finance Fund
Nonprofits Assistance Fund
North Carolina Community Development Initiative Capital
North Central Massachusetts Development Corp.
North Central Washington Business Loan Fund
Northcountry Cooperative Development Fund
Northeast Economic Development
Northeast Entrepreneur Fund
Northeast South Dakota Economic Corp. (NESDEC)
Northern California Community Loan Fund
Northern Community Investment Corp.
Northern Economic Initiatives Corp.
Northern Shores Loan Fund
Northland Foundation
Northside Community Development Fund
Northwest Community Capital Fund
Northwest Minnesota Foundation
Northwest Native Development Fund
Northwest Ohio Development Agency
Northwest Side Community Development Corp.
OBDC Small Business Finance
Office of Rural and Farmworker Housing
Ogden Reinvestment Corp.
Ohio Capital Finance Corp.
Opening Doors
Opportunity Finance Network
Opportunity Fund Northern California
Opportunity Resource Fund
Oregon Microenterprise Network
Oregon Trail Corp.
Osage Financial Resources
Our Microlending
PACE Finance Corp.
Pacific Coast Regional, Small Business Development Corp.
Pacific Community Ventures
Paragon Foundation of Palm Beach County
Partners for Self-Employment/dba Micro-Business, USA
Partners for the Common Good
PathStone Enterprise Center
Pennsylvania Assistive Technology Foundation
People Incorporated Financial Services
PeopleFund

Peoples Opportunity Fund
Philadelphia Neighborhood Housing Services
PIDC—Regional Development Corp.
Piedmont Housing Alliance
Pima Leasing and Financing Corp.
Pine Mountain Community Development Corp.
Pocatello Neighborhood Housing Services
Portland Housing Center
Poverty Solutions
PPEP Microbusiness and Housing Development Corp.
Prestamos, CDFI
Primary Care Development Corp.
Prince George's Financial Services Corp.
Progress Financial Corp.
Progress Fund
Providence Revolving Fund
Raza Development Fund
RCAP Solutions Financial Services
Red River Valley BIDCO
REDC Community Capital Group
Reinvestment Fund
Renaissance Economic Development Corp.
Rio Grande Valley Multibank Corp.
Rising Tide Community Loan Fund
ROC USA Capital
Rochester Community Finance
Rockingham Economic Development Corp
Rocky Mountain MicroFinance Institute
Rural Community Assistance Corp.
Rural Community Development Resources
Rural Electric Economic Development
Rural Investment Corp.
Rural Nevada Development Corp.
Rutland West Neighborhood Housing Services
Sacramento Neighborhood Housing Services
Salt Lake Neighborhood Housing Services
Salt River Financial Services Institution
San Juan NHS
San Luis Obispo Housing Trust Fund
Santa Fe Community Housing Trust
Seattle Economic Development Association dba Community Capital Development
Seattle Economic Development Fund dba Community Capital
Self-Help Ventures Fund
Seneca Nation of Indians Economic Development Company
Small Business Assistance Corp.
Small Business Captial Fund of Mississippi
SNAP Financial Access
Solar and Energy Loan Fund of St. Lucie County
South County Community Investment Corp.
South Eastern Development Foundation
South Eastern Economic Development Corp.
Southeast Community Capital Corp. DBA Pathway Lending
Southeast Kentucky Economic Development Corp.
Southeast Rural Community Assistance Project
Southern Association for Financial Empowerment
Southern Bancorp Capital Partners
Southern Illinois Coal Belt Champion Community
Southern Mutual Financial Services
Southwest Georgia United Empowerment Zone
Sparc
Spokane Neighborhood Economic Development Alliance
Springfield Neighborhood Housing Services
Sustainable and Livable Communities
Taala Fund
Tampa Bay Black Business Investment Corp.
TELACredit Union Community Capital
Texas Mezzanine Fund
Alliance CDFI
Capital Good Fund
Center for Rural Health Development
Community Development Trust
Disability Fund
Housing Fund
Housing Partnership Network
Intersect Fund
Lending Network
OpenDoor Housing Fund
Sequoyah Fund
Support Center
Tiwa Lending Services
TMC Development Working Solutions
Topeka Shawnee County First Opportunity Fund
Trenton Business Assistance Corp.
TruFund Financial Services
Trujillo Alto Economic Development Corp. CD
Tulsa Economic Development Corp.
Turtle Mountain CDFI
Twin Cities Community Land Bank
Union County Economic Development Corp.
United Housing
Utah Microenterprise Loan Fund (UMLF)
Utica Neighborhood Housing Services
Valley Economic Development Center
Valley Small Business Development Corp.
Ventura County Community Development Corp.
Vermont Community Loan Fund
Village Capital Corp.
Virginia Community Development Fund
VSJF Flexible Capital Fund
Washington Access Fund
Washington Area Community Investment Fund
Washington Community Alliance for Self-Help (Washington CASH)
Washington Community Reinvestment Association
Washington Heights and Inwood Development Corp.
Ways to Work
WCHR SeCredit Unionrities
West Elmwood NeighborWorks HomeOwnership Center
White Earth Investment Initiative
Wigamig Owners Loan Fund
Willamette Neighborhood Lending Services
William Mann, Jr. Community Development Corp.
Wind River Development Fund
Wisconsin Women's Business Initiative Corp.
Women's Economic Self-Sufficiency Team
Women's Economic Ventures
Women's Opportunities Resource Center
Women's Venture Fund
WomenVenture
Worcester Community Housing Resources
Yavapai Apache Nation Community Development & Lending Corp.

International Microfinance Loan Funds

ACCION International
CHF International
Deutsche Bank GCMC I
Deutsche Bank GCMC II
Deutsche Bank Microcredit Development Fund
Deutsche Bank Start-up Fund
Deutsche Bank FINCA Microfinance Fund
Dignity Fund
Developing World Markets
E & Co.
Envest Microfinance Cooperative
Equal Exchange
FINCA International
Fonkoze USA
Freedom From Hunger
Global Partnerships
Grassroots Business Fund
Hope International
Media Development Loan Fund
Microcredit Enterprises
MicroVest I
MicroVest II
MicroVest Plus
MicroVest Local Credit Fund
MicroVest Short Duration Fund
Oikocredit USA
Opportunity International
Pro Mujer
Root Capital
SERRV International
Shared Interest
ShoreBank International / Enclude
Sostenica
Unitus
Unitus Seed Fund
VisionFund International
Womens World Banking Isis Fund
Working Capital for Community Needs

Community Development Venture Capital Funds

Ariel Economic Development Fund
BCLF Ventures I
BCLF Ventures II
BCLF Ventures d/b/a Boston Community Venture Fund

Community Development Venture Capital Alliance
Innovation Works
Kentucky Highlands Investment Corp.
MetaFund Corp. fka Oklahoma MetaFund CDC
National Community Investment Fund
New Mexico Community Capital
New Orleans Startup Fund
Pacific Community Ventures Investment Partners III
RAIN Souce Capital

Appendix 4

Money Managers Incorporating ESG Criteria

3Sisters Sustainable Management
Acadian Asset Management
Accion International
Accrued Equities
Acumen Fund
Ada Investment Management
Adams Street Partners
AFL-CIO Building Investment Trust
AFL-CIO Housing Investment Trust
Agincourt Capital Management
AIS Capital Management
Albright Capital Management
AllianceBernstein
Allied Asset Advisors
Amalgamated Bank LongView Funds
American Trust Investment Advisors
AmeriServ Trust and Financial Services Company
Andrew Hill Investment Advisors
Arborview Capital
Ardsley Partners
Argent Sector Capital Management
Ariel Investments
Arjuna Capital, the Sustainable Wealth Platform of Baldwin Brothers
ASB Capital Management
Ascendant Advisors
Ascension Health Ventures
Atlanta Capital Management
AWJ Capital Partners
AXA Equitable Life Insurance Company
Azimuth Investment Management
Azzad Asset Management
Baillie Gifford
BAML Capital Access Funds Management
Bartlett & Co
BBT Capital Management
Beartooth Capital
Becker Capital Management
Bentall Kennedy
Black River Asset Management
BlackRock
Blue Haven Capital
Blue Marble Investments
Blue Wolf Capital Management
Boardwalk Capital Management
Boston Common Asset Management
Braemar Energy Ventures
Brandywine Global Investment Management
Breckinridge Capital Advisors
Bridgeway Capital Management
Bronze Investments
Brookfield Asset Management
Brown Advisory
CalCEF Clean Energy Angel Fund
California Clean Energy Fund (CalCEF)
Calvert Investments
Canyon Capital Realty Advisors
Capital Group
Capricorn Investment Group
Capstone Asset Management (CAMCO, a subsidiary of Capstone Financial Services)
Cartica Capital
CBRE Global Investors
Cherokee Investment Partners
Christian Brothers Investment Services
City Light Capital
City National Asset Management
CityView
Clean Pacific Ventures
Clean Yield Group
ClearBridge Investments
Community Capital Management
Community Development Venture Capital Alliance
Community Investment Partners
Congressional Effect Management
Connective Capital Management
Conservation Forestry Partners
Contravisory Investment Management
Core Capital Management
Core Innovation Capital
Cornerstone Asset Management
Crayna Capital
Creation Investments
Davis Advisors
DBL Investors
DeBartolo Development
Delaware Investments
Dimensional Fund Advisors
Domini Social Investments
Draper Fisher Jurvetson
Dreyfus Corporation (BNY Mellon Cash Investment Strategies)
Developing World Markets Asset Management
EcoEnterprises Capital Management
Ecotrust Forest Management
EKO Asset Management Partners
Element Partners
Enhanced Capital Partners
Equator
Equitrend Capital
EquityCompass Strategies
Essex Investment Management Company
Estabrook Capital Management
Eventide Asset Management
Everence Financial (Praxis Mutual Funds)
Expansion Capital Partners
F&C Management Limited
FL Putnam Investment Management Company
Farmland LP
Fidelity Management & Research Company
First Affirmative Financial Network
First Reserve
First Trust Advisors
Firsthand Capital Management
FIS Group
Forestland Group
Forge Capital Partners
Fred Alger Management
Fresh Source Capital
Fulcrum Capital
GAMCO Investors (Gabelli Asset Management Company)
GEF Management Corporation (Global Environment Fund)
Generation Investment Management US
Gerding Edlen Fund Management
Global Energy Investors
Global Partnerships
Great Lakes Advisors
Green Alpha Advisors
Green Century Capital Management
Greenmont Capital Partners
GreenWood Resources
Guggenheim Funds Investment Advisors
GuideStone Capital Management
Guinness Atkinson Asset Management
Hamilton Lane
Harrington Investments
Hines
HIP Investor
Horace Mann Life Insurance Company
Horizon Investment Services
Hudson Clean Energy Partners
Huntington Asset Advisors
Huntington Capital
Impact Investment Adviser
ImpactAssets
Impax Asset Management
Imprint Capital Advisors
Invesco PowerShares Capital Management
Jalia Ventures
Janus Capital Management
Jensen Investment Management
Jonathan Rose Companies
JPMorgan Asset Management
JPS Global Investments
K2 / D&S Management
Kentucky Highlands Investment
Khosla Ventures
Kohlberg Kravis Roberts
Kranenburg Financial Group
Kriss Investment Group
Krull & Company
L&B Realty Advisors
Lancaster Pollard
Legg Mason Investment Counsel
Leviticus 25:23 Alternative Fund
Light Green Advisors
Lincoln National Corp.
Living Cities Catalyst Fund
Long Wharf Investors
Long Wharf Real Estate Partners
Lord Abbett & Co
Luther King Capital Management Corp.
MacFarlane Partners

Marc J. Lane Investment Management
Martin Investment Management
Meeder Asset Management (MAM)
Meidlinger Partners
MFS Investment Management
MicroVest Capital Management
Miller/Howard Investments
Mindful Investors
Minlam Asset Management
MissionPoint Capital Partners
Mountaineer Capital
Munder Capital Management
National Community Investment Fund
Nelson Capital Management
Neuberger Berman
New Amsterdam Partners
New Boston Fund
New Century Investment Management
New Energy Capital Partners
New Energy Fund
New Mexico Community Capital
New Spirit Ventures
New World Capital Group
NGEN Partners
North Sky Capital
Northern Trust Global Investments
NorthStar Asset Management
Nth Power
Pacific Financial Group
Pacific Investment Management Co (PIMCO)
Parnassus Investments
Pax World Management
PCCP
PCG Asset Management
Pekin Singer Strauss Asset Management
PHYSIC Ventures
Pictet Asset Management
PineBridge Investments
Pinnacle Associates
Pioneer Investment Management
Piper Jaffray Private Capital
Pivotal Investments
PNC Capital Advisors
Portfolio 21
PrairieGold Venture Partners
Prentiss Smith & Company
Principal Global Investors
Profit Investment Management
Prudential Real Estate Investors
Putnam Investments
Quotient Investors
RBC Global Asset Management
Red Mountain Capital Partners
Redwood Investments
Renewal Funds
Reynders, McVeigh Capital Management
Riverbridge Partners
Riverstone Investment Group
RobecoSAM
Rock Point Advisors
Rockefeller Asset Management
RockPort Capital Partners
Rocky Mountain Development Group
Root Capital
RSF Social Finance
Russell Investments
SAIL Venture Partners
Satori Capital
Saturna Capital
Savitr Capital
Schroders
Schwartz Investment Counsel
SEI Investments Management Corp. (SIMC)
Sentinel Investments
Serious Change
Seslia & Company
SFE Investment Counsel
Shelton Capital Management
Silchester International Investors
Sit Investment Associates
SKBA Capital Management
Small Enterprise Assistance Funds (SEAF)
SNW Asset Management
Solstice Capital
Sonen Capital
Sophrosyne Capital
Spinnaker Trust
Spring Water Asset Management
State Street Global Advisors (SSgA)
Steinberg Asset Management
Strategic Capital Partners
Stuart Mill Venture Partners
Summit Global Management
Sustainability Group at Loring, Wolcott & Coolidge
Sustainvest Asset Management
T. Rowe Price
TerraVerde Capital Management
Thompson National Properties
TIAA-CREF
Timbervest
Timothy Partners
Touchstone Investments
Treetops Capital
TRF Private Equity
Trillium Asset Management
Trinity Fiduciary Partners
True Green Capital
Trust Company
UBS Global Asset Management
Ullico
Underdog Ventures
US Renewables Group
USAA Asset Management Company
Van Eck Associates Corporation
Vanguard
VantagePoint Venture Partners
Variable Annuity Life Insurance Co (VALIC)
Viking Fund Management
Virgin Green Fund
Vulcan Real Estate
Walden Asset Management
Wellington Management Company
Wells Fargo Funds Management
Westly Group
Wolfensohn Fund Management (WFM)
XPV Capital
Zevin Asset Management

Appendix 5

Institutional Investors Incorporating ESG Criteria

Adams (MA) Retirement Board
American Federation of Labor and Congress of Industrial Organizations
American Federation of State, County & Municipal Employees
Allstate Corp.
Altman Foundation
American Baptist Home Mission Societies
American Cancer Society
American Heart Association
American Medical Association Foundation
American University
Amesbury (MA) Retirement Board
Amherst College
Amnesty International USA
Andover (MA) Retirement Board
Andover Newton Theological School
Annie E. Casey Foundation
Arcata, CA
Arizona Community Foundation
Arizona Public Safety Personnel Retirement System
Arizona State Retirement System
Arlington (MA) Retirement Board
Athol (MA) Retirement Board
Attleboro (MA) Retirement Board
Ballentine Partners
Baltimore Fire & Police Employees' Retirement System
Bank of the West Charitable Foundation
Baptist Foundation of Oklahoma
Baptist Health Care Systems
Baptist Health South Florida
Barberton Community Foundation
Barnstable (MA) Retirement Board
Baylor Health Care System
Baylor University
Belmont (MA) Retirement Board
Ben and Jerry's Foundation
Benedictine Sisters Congregation of Boerne, Texas
Benedictine Sisters of Mount St. Scholastica
Berkshire (MA) Retirement Board
Betsy and Jesse Fink Foundation
Beverly, MA
Bill and Melinda Gates Foundation
Blue Cross Blue Shield of Michigan
Blue Hills Regional School (MA) Retirement Board
Blue Moon Fund
Blumenthal Foundation
Bon Secours Health System
Boston College
Boston Foundation
Boston Teachers
Boston University
Boston Retirement Board
Bowdoin College
Braintree (MA) Retirement Board
Brandeis University
Bricklayers & Trowel Trades International Pension Fund
Bristol (MA) Retirement Board
Brockton (MA) Retirement Board
Brookline (MA) Retirement System
Brown University
Bullitt Foundation
California ScholarShare College Savings Trust
California Community Foundation
The California Endowment
California Healthcare Foundation
California Institute of Technology
California Public Employees' Retirement System (CalPERS)
California State Teachers' Retirement System (CalSTRS)
California State Treasurer's Office
Cambridge (MA) Retirement Board
Cambridge Community Foundation
Caprock Group
Carnegie Corporation of New York
Carnegie Mellon University
Case Western Reserve University
Catholic Health Initiatives
Catholic Health Partners
Catholic Relief Services
Catholic University of America
Cedar Tree Foundation
Center for Community Change
Charles Stewart Mott Foundation
Chelsea, MA
Chicago Firemen's Annuity and Benefit Fund
Chicago Municipal Employees' Annuity and Benefit Fund
Chicago Policemen's Annuity & Benefit Fund
Chicago Teachers' Pension Fund
Chicopee, MA
Christopher Reynolds Foundation
CHRISTUS Health
Church of the Brethren Benefit Trust
Episcopal Church Pension Fund
Citi Foundation
Clark University
Clinton, MA
Colby College
College of the Atlantic
Colorado Fire & Police Pension Association
Colorado County Officials & Employees Retirement Association
Colorado Public Employees' Retirement Association
Colorado State University
Colorado State University Foundation
Columbia University
Community Foundation for Greater Atlanta
Community Foundation of the Ozarks
Community Foundation Serving Boulder County
Community of Christ
Compton Foundation
Concord, MA
Sisters of St. Agnes Congregation
Congregation of St. Joseph
Connecticut College
Connecticut Higher Education Trust
Connecticut Innovations
Connecticut Retirement Plans and Trust Funds
Conrad N. Hilton Foundation
Conservation Land Trust
Consumer Health Foundation
Cordes Foundation
Cornell University
Danvers, MA
Dartmouth College
David and Lucile Packard Foundation
Dedham, MA
Denison University
Denver (CO) Employee Retirement Program
DePauw University
Detroit Medical Center
Dickinson College
Dignity Health
District of Columbia Retirement Board
Domestic and Foreign Missionary Society of the Episcopal Church in the USA
Dominican Sisters of Hope
Dominican Sisters of San Rafael, CA
Doris Duke Charitable Foundation
Drew University
Duke University
Dukes (MA) Contributory Retirement
Earlham College
Easthampton, MA
Educational Foundation of America
Edward W. Hazen Foundation
Eleos Foundation
Emory University
Endowment for Health
Essex County, MA
Everence Association
Everett, MA
F. B. Heron Foundation
Fairhaven, MA
Fall River, MA
Falmouth, MA
Fetzer Institute
Fitchburg, MA
Flora Family Foundation
Florida Bureau of Deferred Compensation
Florida State Board of Administration
Ford Foundation
Foundation for Louisiana
Framingham, MA
Franciscan Sisters of Perpetual Adoration
Franklin County, MA
Friends Fiduciary Corporation
Furman University
Gardner, MA

Gates Family Foundation
Gaylord and Dorothy Donnelley Foundation
George Gund Foundation
George Mason University Foundation
Georgetown University
Georgia Employees' Retirement System
Georgia Teachers' Retirement System
Global Greengrants Fund
Gloucester, MA
Good Capital
Gordon and Betty Moore Foundation
Gray Matters Capital Foundation, Inc.
Greater Cincinnati Foundation
Greater Lawrence (MA) Sanitary District Retirement Board
Green Mountain College
Greenfield, MA
Hampden County, MA
Hampshire College
Hampshire County, MA
Hampton University
Harris and Frances Block Foundation
Harvard University
Haverford College
Haverhill, MA
Hawaii Employees' Retirement System
Headwaters Foundation for Justice
Hendrix College
Hingham, MA
Holyoke, MA
Howard University
Hudson River Foundation
Hull Family Foundation
Hull, MA
Humane Society
Illinois Municipal Retirement Fund
Illinois State Board of Investment
Illinois State Treasurer
Illinois State Universities Retirement System
Illinois Teachers' Retirement System
Immaculate Heart Missions Inc.
Indiana Public Retirement System
Indiana University and Foundation
Iowa Municipal Fire and Police Retirement System
Iowa Public Employees' Retirement System
Iowa State University
Island Institute
Jacksonville (FL) Police and Fire Pension Fund
Jenifer Altman Foundation
Jessie Smith Noyes Foundation
John D. and Catherine T. MacArthur Foundation
John Merck Fund
John Templeton Foundation
Johns Hopkins University
Jubitz Family Foundation
Kaiser Permanente Foundation
Kansas Public Employees Retirement System
Kansas University Endowment Association
Kentucky Teachers' Retirement System
KL Felicitas Foundation
Kresge Foundation
Laird Norton Family Foundation
Lawrence (MA) Retirement Board
Lawton Chiles Endowment Fund
Lemelson Foundation
Leominster, MA
Lexington, MA
Los Angeles County Employees Retirement
Los Angeles Employee Retirement System
Los Angeles Fire and Police Pensions
Louisiana Parochial Employees Retirement System
Louisiana Baptist Foundation
Louisiana School Employees Retirement System
Lowell, MA
Loyola University Maryland
Luther College
Lydia B. Stokes Foundation
Lynn, MA
Macalester College
Maine Public Employees' Retirement System
Malden, MA
Manhattan Country School
Marblehead, MA
Marin Community Foundation
Marlborough, MA
Mary Black Foundation
Mary Reynolds Babcock Foundation
Maryknoll Fathers and Brothers (Catholic Foreign Mission Society of America)
Maryknoll Sisters
Maryland State Retirement and Pension System
Massachusetts Housing Finance Agency Retirement Board
Massachusetts Institute of Technology
Massachusetts Pension Reserves Investment Trust Fund
Massachusetts Port Authority Retirement Board
Massachusetts State Employees' Retirement System
Massachusetts Teachers' Retirement System
Massachusetts Water Resources Authority Retirement Board
Maynard, MA
Mayo Clinic
McKnight Foundation
Medford, MA
Melrose, MA
Memorial Sloan-Kettering Cancer Society
Mennonite Education Agency
Merck Family Fund
Mercy Investment Services
Methuen, MA
MetLife Foundation
Meyer Memorial Trust
Miami Fire & Police Retirement Trust
Miami Fire Fighters' Relief and Pension Fund
Michigan Retirement Systems
Middlebury College
Middlesex County (MA) Retirement Board
Milford (MA) Retirement Board
Milton (MA) Retirement Board
Milwaukee Employees' Retirement System
Ministry Health Care
Minnesota State Board of Investment
Minuteman Regional School District Retirement Board
Missionary Oblates
Missouri DoT & Patrol Employees Retirement System
Missouri Higher Education Savings Program
Missouri State Employees' Retirement System
Missouri State Treasurer's Office
MMBB Financial Services
Montague Retirement Board
Montana Board of Investments
Montgomery County Employees' Retirement System
Mount Holyoke College
Nathan Cummings Foundation
Natick (MA) Retirement Board
The Nature Conservancy
Nazareth College
Nebraska Investment Council
Needham (MA) Retirement Board
Needmor Fund
New Bedford (MA) Retirement Board
New Hampshire Retirement System
New Jersey Pension Fund
New Mexico Educational Retirement Board
New Mexico State Investment Council
New York City Retirement Systems
New York Quarterly Meeting Religious Society of Friends
New York State Common Retirement Fund
New York State Teachers' Retirement System
Newburyport (MA) Retirement Board
Newton (MA) Retirement Board Index
Norfolk (MA) Retirement Board
North Adams (MA) Retirement Board
North Attleboro (MA) Retirement Board
North Carolina Retirement Systems
North Carolina State University
Northampton Retirement Board
Northbridge Retirement Board
Northwest Women Religious Investment Trust
Northwestern University
Norwood Retirement Board
Oak Foundation
Oberlin College
Ohio Police & Fire Pension Fund
Ohio Public Employees Retirement System
Ohio School Employees' Retirement System
Ohio State University
Ohio Teachers' Retirement System
OhioHealth
Omidyar Network
Oneida Tribe of Indians of WI Oneida Trust Committee
Oregon Community Foundation
Oregon State Treasurer's Office
Oxfam America
Park Foundation
Peabody Retirement Board
Pennsylvania Municipal Retirement System

Pennsylvania Public School Employees' Retirement System
Pennsylvania State Employees' Retirement System
Pennsylvania State Treasurer
Pennsylvania State University
People for the Ethical Treatment of Animals
Philadelphia Public Employees Retirement System
Pittsfield (MA) Retirement Board
Plymouth County (MA) Retirement Board
Plymouth (MA) Retirement Board
Pomona College
Portico Benefit Services
Prentice Foundation
Presbyterian Church USA
Presbyterian Foundation
Presbyterian Healthcare Services
PricewaterhouseCoopers LLP
Pride Foundation
Princeton University
Province of St. Joseph of the Capuchin Order (Midwest Capuchins)
Prudential Foundation
Quincy (MA) Retirement Board
Rasmuson Foundation
Reading (MA) Retirement Board
Reconstructionist Rabbinical College
Reform Pension Board
Regis University
Rensselaer Polytechnic Institute
Revere (MA) Retirement Board
Rhode Island Employees' Retirement System
Rice University
Robert Wood Johnson Foundation
Rockdale Foundation
Rockefeller Brothers Fund
Rockefeller Foundation
Roosevelt University
Rose Community Foundation
Rose Foundation for Communities and the Environment
Roy A. Hunt Foundation
RSF Social Finance
Russell Family Foundation
Saint Paul Foundation
Salem (MA) Retirement Board
Salvation Army
Samford University
San Francisco City & County Employees' Retirement
San Francisco Foundation
San Francisco State University
Santa Clara University
Santa Fe Art Institute
Saugus Retirement Board
School Sisters of Notre Dame Central Pacific Province
Seattle Foundation
Seattle University
Seton Hall University
Seventh Generation Fund for Indian Development
Shrewsbury Retirement Board
Shriners Hospitals for Children
Sierra Club Foundation
Silicon Valley Community Foundation
Sisters of Charity of Saint Elizabeth
Sisters of Charity of St. Vincent de Paul
Sisters of Loretto
Sisters of Notre Dame, Toledo Province
Sisters of St. Dominic of Caldwell, NJ
Sisters of St. Francis of Philadelphia
Sisters of the Holy Names of Jesus and Mary
Sisters of the Sorrowful Mother
Skoll Foundation
Smith College
Solidago Foundation
Somerville Retirement Board
South Carolina Retirement System Investment Commission
South Dakota Retirement System
Southbridge, MA
Springcreek Foundation
Springfield, MA
St. Paul (MN) Teachers Retirement Fund Association
Stanford University
State of Wisconsin Investment Board
Stoneham, MA
Sun Life Assurance Company of Canada
Swampscott, MA
Swift Foundation
Taunton, MA
Texas Employees' Retirement System
Texas Teacher Retirement System
Texas Health Resources
Threshold Foundation
Tides Foundation
Trinity College
Trinity University
Triskeles Foundation
Trustees of Donations to the Protestant Episcopal Church
Tufts University
Unitarian Universalist Association
United Church Funds
United Church of Christ Pension Boards
United Methodist Church Foundation
United Methodist Church General Board of Pension and Health Benefits
Unity College
Universal Health Care Foundation of Connecticut
University of Arkansas & Foundation
University of California
University of California, Berkeley Haas SRI Fund
University of Colorado
University of Colorado Foundation
University of Connecticut & Foundations
University of Dayton
University of Denver
University of Florida Foundation
University of Illinois & Foundation
University of Iowa & Foundation
University of Louisville Foundation
University of Maryland
University of Massachusetts
University of Massachusetts Foundation
University of Michigan
University of Minnesota
University of Mount Union
University of Nevada Las Vegas Foundation
University of North Carolina at Chapel Hill & Foundations
University of Northern Iowa
University of Notre Dame
University of Oregon Foundation
University of Pennsylvania
University of Rochester
University of Southern California
University of Vermont
University of Virginia
University of Washington
University of Wisconsin Foundation
University System of New Hampshire & Foundations
University Unitarian Church
Ursuline Sisters of Tildonk
Utah State Retirement Systems
V. Kann Rasmussen Foundation
Vassar College
Vermont Community Foundation
Vermont Municipal Employees' Retirement System
Vermont State Employees' Retirement System
Vermont State Teachers' Retirement System
W.K. Kellogg Foundation
Wake Forest University
Wakefield, MA
Wallace Global Fund
Waltham, MA
Washington State Investment Board
Washington University in St. Louis
Watertown, MA
Webster, MA
Wellesley College
Wellesley, MA
Wespath Investment Management
West Springfield, MA
Westfield, MA
Weymouth, MA
Wheaton College
William Bingham Foundation
Williams College
Winchester, MA
Winthrop, MA
Wisconsin Deferred Compensation Program
Woburn, MA
Worcester, MA
Worchester County, MA
Yale University

Appendix 6

Proponents of Shareholder Resolutions on ESG Issues 2012–2014

Academy of Our Lady of Lourdes
Adrian Dominican Sisters
American Federation of Labor and Congress of Industrial Organizations
American Federation of State, County & Municipal Employees
AIDS Healthcare Foundation
Amalgamated Bank LongView Funds
American Baptist Home Mission Societies
Amnesty International USA
Appleseed Fund
Arjuna Capital, the Sustainable Wealth Platform of Baldwin Brothers
As You Sow Foundation
Baldwin Brothers
Beekman-Lippert CRUT
Benedictine Sisters of Baltimore—Emmanuel Monastery
Benedictine Sisters of Boerne, Texas, Congregation of
Benedictine Sisters of Mount St. Scholastica
Benedictine Sisters of Mt. Angel
Benedictine Sisters of Virginia
Benedictine Women of Madison
Boston Common Asset Management
Boston Trust & Investment Management Company, Walden Asset Management
Brainerd Foundation
Bricklayers & Trowel Trades International Pension Fund
California Public Employees' Retirement System (CalPERS)
California State Teachers' Retirement System (CalSTRS)
Calvert Investments
Camilla Madden Trust
Catholic Health Initiatives
Catholic Health Partners
Center for Community Change
Central Laborers' Pension, Welfare and Annuity Funds
Change to Win
CHE Trinity Health
Christian Brothers Investment Services
Christopher Reynolds Foundation
Christopher Scott McElroy Irrevocable Trust
Christus Health
Church of the Brethren Benefit Trust
Clean Yield Group
Comerica Bank & Trust
Community Church of New York
Congregation of Divine Providence—San Antonio
Congregation of the Sisters of Saint Agnes
Congregation of St. Joseph
Congregation of St. Joseph of Carondelet, St. Paul Province
Congregation of the Sisters of Saint Joseph of Chestnut Hill, Philadelphia
Congregation of the Sisters of Saint Joseph of Brighton
Connecticut State Treasurer's Office
Convent Academy of the Incarnate Word
Corporate Accountability International (Infact)
CWA/ITU Negotiated Pension Plan
Dignity Health
Discovery Group/Discovery Equity Partners
Domestic and Foreign Missionary Society of the Episcopal Church in the USA
Domini Social Investments
Dominican Sisters of Hope
Dominican Sisters of San Rafael, CA
Dominican Sisters of Springfield, IL
Edward W. Hazen Foundation
Environmental Working Group
Equality Network Foundation
Evangelical Lutheran Church in America
Everence Financial
F&C Asset Management
First Affirmative Financial Network
First Parish in Cambridge
First Unitarian Congregational Society in Brooklyn
Florida State Board of Administration
Franciscan Sisters of Little Falls, MN
Franciscan Sisters of Mary (St. Louis)
Franciscan Sisters of Perpetual Adoration
Friends Fiduciary Corp.
Funding Exchange, The
GAMCO Investors (Gabelli Asset Management Co.)
GE Stockholders Alliance
Glenmary Home Missioners (Home Missioners of America)
Green Century Capital Management
Harrington Investments
Haymarket People's Fund
Horizons Foundation
Humane Society
Illinois State Board of Investment (ISBI)
Indiana Laborers Pension Fund
International Brotherhood of DuPont Workers
International Brotherhood of Electrical Workers Pension Benefit Fund
International Brotherhood of Teamsters
Investor Voice
Investors Against Genocide
Kansas City (MO) Firefighters Retirement
Laborers' International Union of North America (LIUNA)
Lemmon Foundation
Los Angeles County Employees Retirement (LACERA)
Loyola University New Orleans
Manhattan Country School
Marianist Province of the United States (Marianist Society)
Maryknoll Fathers and Brothers (Catholic Foreign Mission Society of America)
Maryknoll Sisters
Massachusetts Laborers' Pension Fund
Massachusetts Pension Reserves Investment Trust (PRIT) Fund
Max and Anna Levinson Foundation
Merck Family Fund
Mercy Investment Services (Institute of Sisters of Mercy of the Americas)
Miami Fire Fighters' Relief and Pension Fund
Midwest Coalition for Responsible Invest-ment
Miller/Howard Investments
Missionary Oblates
Nathan Cummings Foundation
National Center for Public Policy Research
Nazareth Literary and Benevolent Institution
Needmor Fund
New Economy Project
New England Carpenters Pension Fund
New York City Retirement Systems
New York State Common Retirement Fund
Newground Social Investment
North Carolina Retirement Systems
NorthStar Asset Management
Northwest Women Religious Investment Trust
Ohio Public Employees Retirement (OPERS) System
Ohio School Employees' Retirement System
Oneida Tribe of Indians of WI Oneida Trust Committee
Oxfam America
Park Foundation
Pax World Management
People for the Ethical Treatment of Animals (PETA)
Philadelphia Public Employees Retirement System
Physicians' Committee for Responsible Medicine
Plumbers and Pipefitters National Pension Fund
Portico Benefit Services
Presbyterian Church USA
Pride Foundation
Providence Trust
Province of St. Joseph of the Capuchin Order (Midwest Capuchins)
ProxyVote Plus
Ram Trust Services
Reinvestment Partners
Religious of the Sacred Heart of Mary, Western American Province
Rochester Minnesota Franciscans (Academy of Our Lady of Lourdes)
Rockefeller Asset Management
Russell Family Foundation

School Sisters of Notre Dame Central Pacific Province
School Sisters of Notre Dame Cooperative Investment Fund
School Sisters of Notre Dame of St. Louis
Seattle Mennonite Church
Service Employees International Union (SEIU) Master Trust
Sheet Metal Workers
Sierra Club
Sinsinawa Dominican Sisters
Sisters of Charity of Cincinnati
Sisters of Charity Of Saint Elizabeth
Sisters of Charity of the Blessed Virgin Mary
Sisters of Charity of the Incarnate Word, Congregation of
Sisters of Loretto
Sisters of Notre Dame
Sisters of Notre Dame de Namur (Boston)
Sisters of Providence, Mother Joseph Province
Sisters of St. Dominic of Caldwell, NJ
Sisters of St. Dominic of Tacoma, WA
Sisters of St. Dominic, Amityville
Sisters of St. Dominic, Blauvelt, NY
Sisters of St. Francis of Assisi
Sisters of St. Francis of Philadelphia
Sisters of St. Francis of the Holy Cross
Sisters of St. Francis of the Holy Family—Dubuque, Iowa
Sisters of St. Joseph of Carondelet, St. Louis Province
Sisters of St. Joseph of Orange
Sisters of the Good Shepherd
Sisters of the Holy Cross, Congregation of
Sisters of the Holy Family, CA
Sisters of the Holy Names of Jesus and Mary, US Ontario Province
Sisters of the Holy Spirit and Mary Immaculate
Sisters of the Humility of Mary
Sisters of the Presentation of the Blessed Virgin Mary, SD
Sisters of the Sorrowful Mother
Society of Jesus—Missouri Province
Society of Jesus—New Orleans Province
St. Joseph Family Center
St. Mary's Institute (Sisters of the Most Precious Blood), O'Fallon, MO
Sustainability Group at Loring, Wolcott & Coolidge
Sustainvest Asset Management
Swarthmore College
Swift Foundation
Tides Foundation
Trillium Asset Management
UAW Retiree Medical Benefits Trust
Unitarian Universalist Association
Unitarian Universalist Service Committee
UNITE HERE
United Brotherhood of Carpenters and Joiners of America
United Church Funds
United for a Fair Economy
United Methodist Church Foundation
United Methodist Church General Board of Pension and Health Benefits
United Steel Workers
Ursuline Sisters of Tildonk, US Province
US Jesuit Conference
Utility Workers Union of America
Wallace Global Fund
Wespath Investment Management
William Caspar Graustein Memorial Fund
Zevin Asset Management

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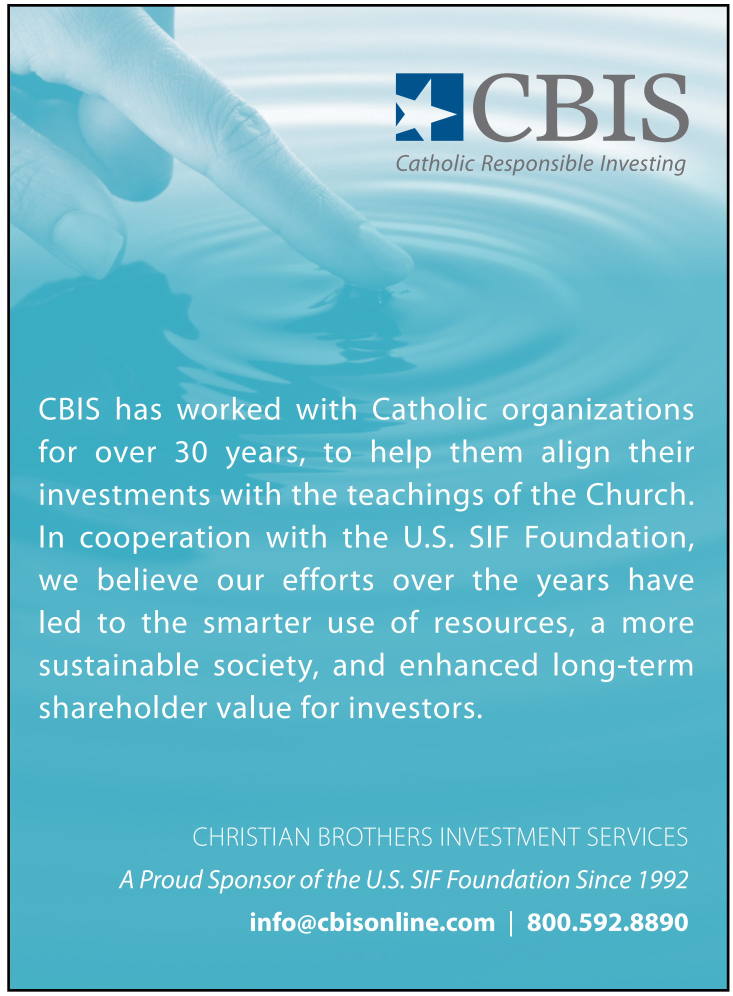
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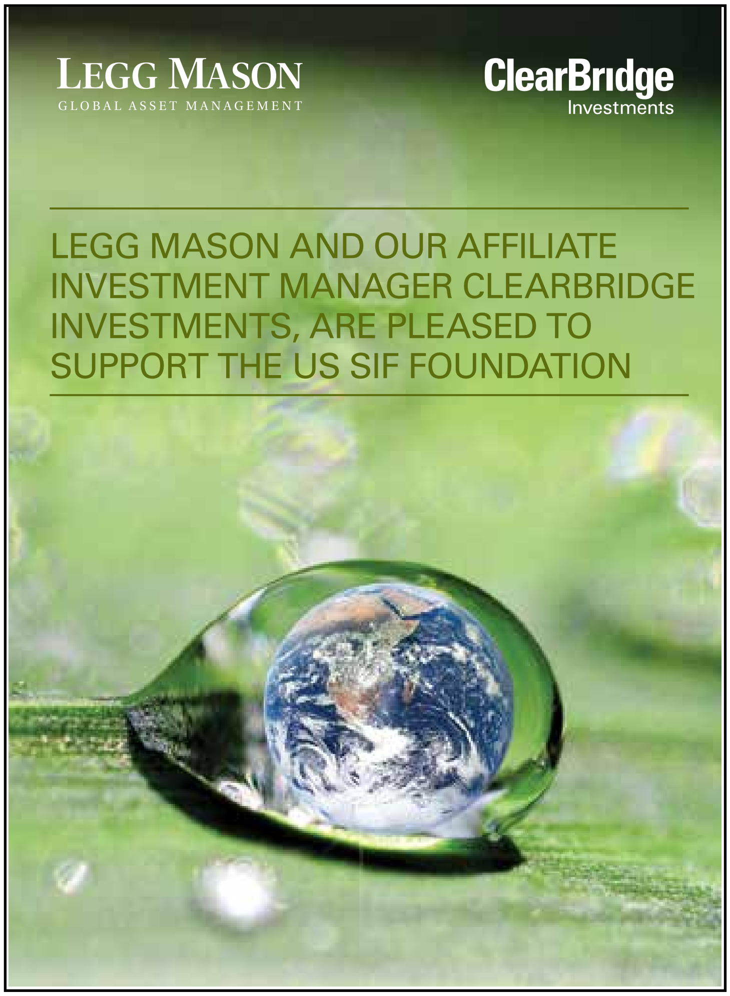
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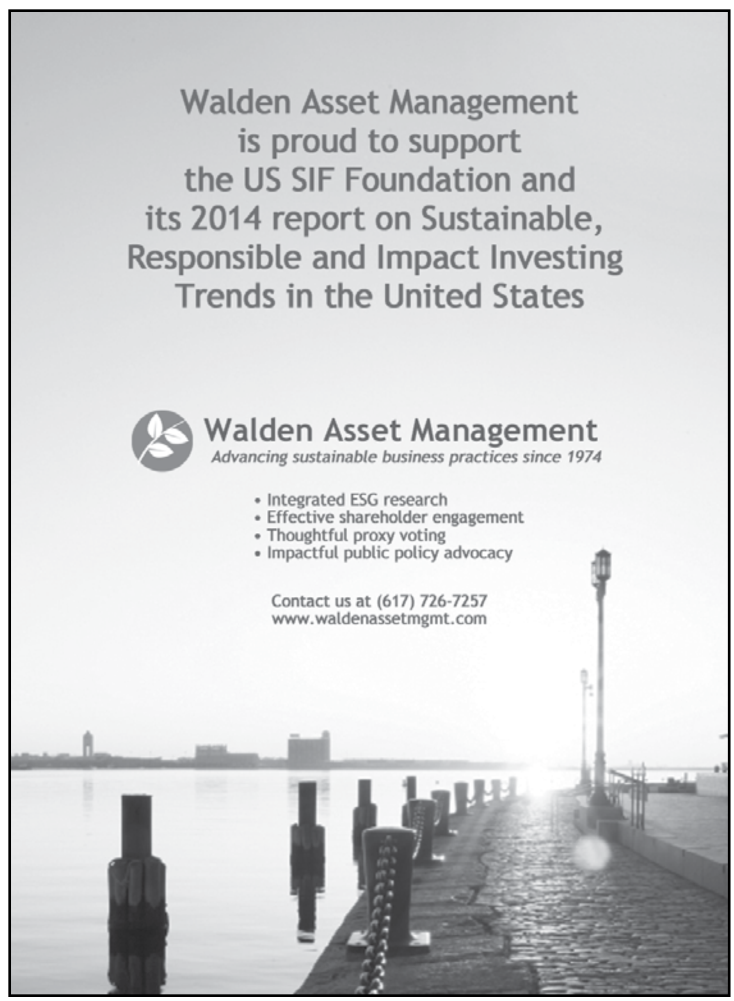
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